AGRICULTURE, RURAL DEVELOPMENT AND RELATED AGENCIES APPROPRIATIONS FOR 1987

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT AND RELATED AGENCIES

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PART 3

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AGRICULTURE, RURAL DEVELOPMENT AND RELATED AGENCIES APPROPRIATIONS FOR 1987

THURSDAY, MARCH 13, 1986.

OFFICE OF TRANSPORTATION

WITNESSES

ALAN TRACY, ACTING ASSISTANT SECRETARY, MARKETING AND INSPECTION SERVICES

MARTIN F. FITZPATRICK, JR., ADMINISTRATOR, OFFICE OF TRANSPORTATION

SAMUEL V. LADD, DIRECTOR, BUDGET AND ACCOUNTING DIVISION, ANIMAL AND PLANT HEALTH INSPECTION SERVICE

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

INTRODUCTORY REMARKS

Mr. WHITTEN. The Office of Transportation.

How are you, gentlemen.

Mr. FITZPATRICK. Very good, sir.

Mr. WHITTEN. Mr. Fitzpatrick, may I say, this committee has had to support the Office of Transportation through the years. The Office of Budget and Management always tries to eliminate this activity. We think it has done a great job in times past.

It is true that we have done away with regulating interstate carriers. I think sometimes we have taken the public service out of the public service corporations. That is true of telephones and airlines and trucking and many others. I think the concern is increasing because we see so many folks going broke, and the few big ones are gobbling up the little ones. We may need Mr. Rayburn to come back and study this whole antiregulation area and see what has happened.

But we do think you have done a real good job. And I want you to put in the record the details of what you have been able to accomplish. Because, when the Government was regulating, we probably did not need you as much as we do now when they have quit regulating. And we have a terribly bad situation, as a whole in agriculture.

[CLERK'S NOTE.—A brief description of the Office of Transporation precedes the explanatory notes on pages 21 through 32.]

We have had the Farmers Home Administration say it cannot take over the farm lending load. The farmers throughout the country are being asked to pay a debt that was caused, to a great degree, because we would not export their production.

The State Department uses farmers to finance our foreign policy. To punish Russia, we would not let farm products out of this country for a long time.

I would like to ask you to begin, and we will place your statement in the record. And you may proceed.

Mr. FITZPATRICK. Thank you, I will summarize my remarks, Mr. Chairman.

Thank you for your support. With me today is Mr. Samuel V. Ladd, Director of the Budget and Accounting Division of the Animal and Plant Health Inspection Service. APHIS provides the administrative support for the Office of Transportation.

OT MEETING AGRICULTURE NEEDS

Mr. Chairman, for the past five years I have served as Administrator of the Office of Transportation. During that time, our office has provided significant contributions to American agriculture. In business, there is an old saying that "nothing happens until the sale is made." In agriculture, a sale cannot be made if the products cannot reach the marketplace.

Getting products to the marketplace is often a problem for American farmers, particularly the small farmer and those isolated from the most heavily used transportation systems.

I believe that the people of OT, my colleagues and co-workers, the scientists, the economists and the traffic managers have helped solve many problems in agriculture. They have developed better shipping techniques, worked hard for those harmed by changing transportation laws and systems, and brought needed attention to the rural infrastructure crisis.

For those reasons, it is certainly a most difficult and painful task I have in proposing to reduce OT funding in fiscal year 1987, in anticipation of eliminating the Office of Transportation by the end of fiscal year 1987. While it is indeed a difficult decision, I understand the budget realities facing our nation.

If you would be so kind, Mr. Chairman, I would like to take just a few minutes to report on some of our recent accomplishments. As I said, the people of OT are dedicated and hard-working. They have compiled a record of accomplishments that deserves to be told.

DEREGULATION

In fiscal year 1985, we continued our efforts to monitor the effects of rail deregulation on American agriculture. Small shippers in isolated areas have been adversely affected as railroads abandon some lines. We were able to help establish three short lines in North Carolina to solve such problems. We are currently working with the Dakota Railroad to deal with a similar situation.

We also conducted two major transportation conferences to assist agriculture in adapting to a less regulated environment.

RURAL ROADS AND BRIDGES

I have spoken about the impending crisis of rural roads and bridges. We developed a pilot study to assist agriculture and transportation officials in identifying the rural road network serving agriculture, and to develop a process for prioritizing needed improvements.

Pennsylvania has subsequently conducted a state-wide study based on our model. We are currently working with officials in New York and Virginia on similar efforts, and strongly encourage other states to do so.

DEVELOPING EXPORT MARKETS

In fiscal year 1985, OT continued its efforts to help develop export markets. We conducted research to improve shipping technology, and to determine which foreign ports can handle expanded U.S. exports.

We also have developed a protocol to implement the Agreement on the International Carriage of Perishable Foodstuffs, which will help facilitate export of U.S. farm produce to the European markets.

We have actively worked with the livestock industry to overcome major problems in transporting U.S. livestock to foreign markets. Given the major emphasis the Administration and the industry places on expanding foreign markets, it is a certainty that these markets will not be profitable if we cannot transport our products in an efficient and safe manner.

PARTICIPATION IN REGULATORY PROCEEDING

Another important accomplishment of this Office has been our participation in regulatory proceedings on behalf of American farmers. Although deregulation has reduced federal regulatory responsibilities, we believe that the interest of the small shipper must be monitored. We have carried out that function and testified on behalf of the agricultural industry.

Mr. Chairman, recommending the elimination of an agency is never easy, and this is certainly no exception. The Office of Transportation and its people have served agriculture well. I am hopeful that the base of work we have accomplished can be carried on by the States and industry.

I would be happy to answer any questions that you may have.

[CLERK'S NOTE.—The full text of Mr. Fitzpatrick's prepared statement appears on pages 18 through 20. The explanatory notes appear on pages 33 through 44.]

OT ELIMINATION

Mr. WHITTEN. Thank you. The fiscal year 1987 budget proposes to eliminate the Office of Transportation by the end of 1987. Last year you justified all the necessary work you would do with an 18 percent reduction in your office. Now you are recommending to eliminate the Office. Why the sudden change?

Mr. FITZPATRICK. One of the priorities of this Administration is to reduce Federal deficits by reducing government expenditures.

The programs of the Office of Transportation have been determined to be of a lower priority than other Departmental programs; therefore, it is the Administration's proposal to phase out and eliminate this Agency by the end of fiscal year 1987.

Mr. WHITTEN. You further state in your justifications that under your proposal to eliminate the Office, the fiscal year 1987 funds would enable your Office to complete existing high priority studies. Please identify those studies for the record.

Mr. FITZPATRICK. I would like to insert a list of high priority studies that are expected to be completed or nearly completed in FY 1987.

[The information follows:]

Short Line Railroads.—Concern about the adequacy or rail service to meet the transport needs of the farmer, agricultural shippers, receivers, and the public has prompted OT to study the role of emerging short line railroads and how they might best serve agriculture. OT has been active in supplying technical and planning assistance to local leaders in rural communities on establishing and operating short line railroads where rail line abandonment has left an unfilled gap in transporting food to market. OT expects to continue providing assistance to its rural and small town constituents into 1987.

OT helped establish the Fairmount & Western Railroad in Robeson County, North Carolina, which is the state's largest corn producing county. OT also helped establish two new short line railroads in North Carolina, namely, the Franklin County Railroad Corporation and the Nash County Railroad Corporation. Current efforts are directed toward helping officials representing North Carolina's legislative, transportation, agriculture, and commerce offices and agriculture organizations study the feasibility of a rail-barge operation to replace the present 5 mile Norfolk Southern rail bridge over the Albemarle Sound as an alternative to abandonment of the line.

Railroad Deregulation Monitoring.—In 1985, OT conducted a national survey of grain storage facilities in the U.S. as part of OT's ongoing responsibility of monitoring the effects of rail deregulation on grain farmers, shippers, and processors. Another survey is planned for 1986 after the grain harvest. Results will then be tabulated and compared with the previous survey and a final report issued.

Financing Rural Roads and Bridges.—OT is currently studying the effect of different governmental structures and decision-making processes on the provision of rural roads and bridges. The study builds upon the results of a four state study (Illinois, Minnesota, Ohio, and Wisconsin) completed in 1985 that looked at the rural road and bridge problem from the perspective of town/township officials, farmers, and agricultural businesses. Information about other states will necessarily be limited to perhaps four states given current funding and time constraints. Additional work is also being done to field test, evaluate, and if need be, revise the automated system (Management Assistance Program) developed during the previous study for budgeting and planning rural road and bridge improvements by local officials. The results of the previous study and explanation of the Management Assistance Program are given in the publication titled "Financing Rural Roads and Bridges in the Midwest."

Integration of OT's Technical Assistance Capability with the Foreign Agricultural Service's "Agricultural Marketing and Information Service." Information on transportation costs and services would be made available as part of the FAS service to further assist high-value agricultural product exporters.

An Examination of Foreign Port Infrastructure Constraints.—This precludes receipt of U.S. grain exports and contributes to the high cost of USDA ocean freight differential payments for PL-480 bulk grain shipments.

Research Assistance to the Animal and Plant Health Inspection Service justifying "an increase in pen sizes and stocking densities on ship loads of export cattle." The study was requested by an industry/government livestock export task force.

Technology Transfer Plan on Timber Bridges—The Office of Transportation in cooperation with the USDA Forest Service and the forest products industry has embarked on a timber bridge technology transfer plan. Identification of safe and economical alternatives for the replacement of deteriorated bridges on rural low volume roads is extremely important given the magnitude of the rural bridge problem and the limited resources available to make improvements. OT's responsibilities in the cooperative project are to provide liaison between the Federal Highway Administration and its State-level Technology Transfer Centers, the rural government associations, and other national organizations having rural road interests, assist the FS in selecting demonstration sites off the National Forest System, and assist in developing and disseminating public information items.

OT has been active in carying out these responsibilities and expects to honor its commitments on this project into FY 1987.

Perishables Transportation.—We are in the initial stages of a study of perishables transportation. In this study we are looking at marketing patterns, traffic flow patterns, types of equipment, the impact of trucking and rail deregulation and impediments to economical and efficient transportation.

Mr. WHITTEN. You also state that under your proposal some of the Office of Transportation activities would be performed by other USDA agencies. Please identify those activities and the agencies that would be responsible for their continuation.

Mr. FITZPATRICK. At this time no decision has been made by the Department of Agriculture to identify which agencies would carry on the responsibilities of the Office of Transportation.

TRANSPORTATION COORDINATION AND POLICY DIRECTION

Mr. WHITTEN. One of the primary reasons for establishing the Office of Transportation in 1978 was to improve coordination of transportation issues within the Department and to provide some policy direction for agricultural transportation matters. Are you now suggesting that coordination and policy direction on these issues are no longer necessary?

Mr. FITZPATRICK. Not at all. I believe the present time is crucial for the nation's farmers and the services OT provides are vital. However, due to higher Administration priorities, the work of OT is deemed of lesser importance and is proposed for phase out. While we have striven to anticipate transportation problems before they occur and have been ready to act and promote solutions that best meet the interests of U.S. agriculture, because of the critical deficit situation, it has been deemed necessary to eliminate this activity as a separate organization.

EMPLOYMENT REDUCTION

Mr. WHITTEN. The explanatory notes show a proposed reduction of 24 staff years for fiscal year 1987. Please identify the positions you plan to eliminate and a description of those present responsibilities. Are any of these staff years to be reassigned to other agencies? If so, please identify the positions and the receiving agency.

Mr. FITZPATRICK. The Department has not made a determination at this time as to which agencies, if any, will continue the responsibilities of the Office of Transportation. In the initial phase out process, a general across-the-board reduction-in-force will be initiated and personnel in all program areas will be affected, including transport system performance, rural transportation development, international transportation development, and physical distribution systems.

TRANSFER OF TRAFFIC MANAGEMENT TO ASCS

Mr. WHITTEN. Will the Traffic Management Branch transferred from ASCS to the Office of Transportation be transferred back to ASCS? If so, is funding requested in the ASCS budget to cover these costs?

Mr. **Fitzpatrick**. I am not aware of any move to transfer the activities of the Traffic Management Branch back to ASCS. To my knowledge, no funding has been requested for this branch in the ASCS budget.

OVERSEAS TRANSPORTATION PUBLICATIONS

Mr. **Whitten**. Please also provide copies of the publications: "The Export Handbook", "The Middle East Port Survey", and "The Ocean Freight Futures Markets."

Mr. **Fitzpatrick**. We will be happy to submit the publications.

[Clerk's note.—The information requested is too lengthy to be reprinted in the record. Copies will be retained for the files.]

ECONOMIC AND PRODUCTIVITY STUDIES

Mr. **Whitten**. Did your Office conduct any economic and productivity studies for fiscal year 1985? If so, please provide a brief description of each for the record.

Mr. **Fitzpatrick**. I would like to submit a list of economic/productivity studies that were completed in FY 1985.

[The information follows:]

Impacts of Rail Deregulation on Marketing of Kansas Wheat examined changes in both the grain marketing system and prices paid to Kansas farmers for wheat as a result of rail deregulation.

Financing Rural Roads and Bridges in the Midwest identified local rural road and bridge needs in four midwestern states and examines financing and management options with respect to current practices.

Exporting oak logs and lumber to the European community examined the constraints that impede increasing oak exports to the European community.

An investigation into the Utility of Transportation-oriented Export Trading Companies (ETC) examined the potential for increased agricultural exports through ETC structured transport cost savings.

Ocean Freight Rate Futures Update—May 1, 1985 surveyed risk factors associated with grain exports and concludes ocean freight futures hedging could benefit grain traders.

RAIL CAR PROJECTS

Mr. **Whitten**. In the explanatory notes you state that the Office of Transportation has now completed its research program on the prototype rail cattle car and is looking to the industry to assume the responsibility for utilization. Has the industry accepted this responsibility?

Mr. **Fitzpatrick**. The industry has accepted some responsibility for further development and utilization of equipment for transporting cattle by rail. One company developed a cattle container for shipment on rail flatcars using some of the design criteria developed by OT researchers. Beyond this, there has not been as much implementation as the industry/government cooperators had hoped. The lack of action may be attributed to the lack of flexibility in a rail transport system for cattle versus trucking, and the depressed cattle industry that cannot afford the heavy investment in rail equipment.

Mr. **Whitten**. Please provide for the record a copy of the results of field tests on the cryogenic rail car. Is the industry planning to put this type of rail car into operation?

Mr. FITZPATRICK. We are furnishing to the Committee on "Executive Summary Report" on the cryogenic rail car project. Currently, there are 150 cryogenically refrigerated railcars in use.

The Office of Transportation, in cooperation with the American Frozen Food Institute and the International Association of Refrigerated Warehouses, has been engaged in a laboratory and field testing program of CO_2 as a refrigerant alternative to the expensive and high maintenance requirements of a diesel fuel mechanical refrigerator car. The results of the laboratory tests led to the development by industry of a prototype car equipped with the CO_2 refrigeration system with subsequent, highly-successful field tests.

Railroad officials have estimated that savings to shippers of frozen foods utilizing the cryogenic railcar versus the mechanical refrigerated railcar amounts to approximately $16 million a year. These savings are based upon current charges for the two types of equipment. A further rise in the annual savings are expected in the near future, since rail officials estimate that mechanically refrigerated charges will increase by about 11 percent in 1986.

[CLERK'S NOTE.—The reports appears on pages 45 through 58.]

BEE SHIPMENT

Mr. WHITTEN. Please provide for the record the results of the Office of Transportation's research effort on the new system for shipping bees.

Mr. FITZPATRICK. We are furnishing to the Committee a copy of a report on the Office of Transportation research effort to develop a new system for shipping bees. The system has promise for modernizing the transportation of package bees in addition to providing considerable dollar savings to shippers.

Bees are responsible for pollinating an estimated annual $14 billion worth of crops in the U.S. In addition, approximately 500,000 packages of bees are exported to Canada each year. Some of the bees may be transported by truck in the traditional wood/wire screen packages. However, many areas of Canada and all of Alaska depend on getting their annual supply of bees by air freight. Many air carriers refuse to transport bees in the traditional wood/wire screen cages because of the fragility of the cages and resulting chance of cargo handlers and passengers being stung. In some cases they set prohibitive rates for bees. Air carriers look favorably on the OT-developed, tube shipping containers. No tube containers have broken open during extensive testing over a two year period. A package of bees delivered in Alaska and parts of Canada is valued at about $40. If 100,000 packages of bees were blocked from delivery, this would result in $4 million of lost business to U.S. beekeepers alone, not considering the lost business to receivers in Alaska, airline carriers, and other ancillary beneficiaries.

[CLERK'S NOTE.—The report appears on pages 59 through 70.]

TECHNICAL ASSISTANCE

Mr. WHITTEN. Briefly describe the technical assistance efforts your Office was involved in during fiscal year 1985.

Mr. FITZPATRICK. OT provides a variety of technical assistance to farmers, shippers, rural public interest groups, Federal and state agencies, farm and industry organizations, members of Congress, and transportation researchers. Technical assistance provided by OT is in response to requests that require a phone call, or that may require analysis and research. Congressional inquiries usually necessitate in-depth evaluation and cooperation with researchers in other government agencies, academic institutions, or the private sector. I will submit a list that identifies the type of technical assistance provided. Further, we will provide the Committee the Program Review for 1985 entitled "Linking Buyers and Sellers". We have numerous correspondence providing evidence of the result of our technical assistance efforts. Specific, long term, technical assistance includes:

Assistance to package bee producers to develop a new packaging system for shipping bees. This assistance was provided to shippers in Arizona, California, and Georgia and included shipments to Alaska, Canada, and Jordan.

Assistance was provided to cattle exporters shipping cattle both by air and sea. OT research personnel determined that it is feasible to increase stocking densities on ships carrying export cattle by about 10 percent. This would result in about a $10,000 savings per load in transportation costs.

Assistance was provided in developing a cryogenically refrigerated multi-temperature trailer for transporting both fresh and frozen foods. This vehicle has application to food delivery operations. Plans are to investigate the feasibility of using this type of vehicle for transporting high-value food products to the hotel trade in the Caribbean.

OT joined an FAS-sponsored team to conduct grain marketing seminars in three Central American countries.

Examples of other technical assistance will be provided for the record.

[The information follows:]

University of Maryland—provided freight rates on shipments of bulk sugar and corn syrup.

Economic Research Service—provided information on rates for transport of grain and movement of grain in commerce and on the provision of rural transportation services by local governments.

Maryland Independent Truckers Association—conducted motor carrier costing seminars, presented information on motor carrier insurance crisis.

Foreign Agricultural Service—provided rates for transport of lumber.

State of North Carolina—provided information on transport rates, assisted in railroad abandonment procedures.

American Trucking Association—truck cost information provided for ATA publication "Motor Carrier Facts".

Monetou Forwarding—provided up-to-date transportation rates and information.

Congressional Staff—information in response to numerous congressional staff requests.

Texas Citrus Association—provided information on expanding commercial zone including 4 counties in Rio Grande Valley.

West Texas Growers—provided information to produce growers in Rio Grande Valley.

Independent Owner-Operators—published fleet and owner-operator monthly truck cost reports.

Herty Penske Leasing Co.—provided information on transporting meat and poultry by truck.

Transamerica Trucking Co.—provided information on transporting produce in refrigerated trailers.

Paul's Trucking Co.—provided information on current research on transporting perishables.

Southern Association of State Departments of Agriculture Transportation Committee made presentations at annual transportation meeting on transportation outlook, modal choice, and rural roads and bridges.

Mount Grain Elevator Association—made presentation on deregulation of rail transport.

Waterways Journal Weekly—information published by OT in "Weekly Grain Transportation Situation Report" disseminated in "Waterways Journal Weekly."

Transportation Research Board—served as a member of its Committee on Low Volume Roads and helped to plan the 4th International Conference on Low Volume Roads to be held in 1987.

General Accounting Office—provided current information on rail line service discontinuances and locations of anticipated abandonments.

Virginia Department of Agriculture—provided guidance in studying rural road and bridge needs from the perspective of agricultural access and statewide highway planning.

American Association of Railroads—consulted on block and bracing trailers on flatcars in transporting perishables.

National Potato Council—conducted test program on bruising of potatoes in transit.

Department of Energy—provided single and multi-car transport rates for raw bulk sugar.

Agricultural Stabilization & Conservation Service—advised of "extra services" available at all full service terminals.

University of Florida—provided technical data on modularization, unitization and metrication of package sizes used to transport agricultural products.

Caribbean Basin Initiative—made presentation to agricultural shippers on methods of package, bundle, and transport agricultural products.

Pullman Transport Leasing—provided information on available railcar supply for transporting agricultural products.

Federal Highway Administration—participated on steering committees for projects under its Rural Assistance Program.

Burlington Northern Railroad—provided information on costs incurred in transporting produce.

Illinois Central Gulf Railroad—provided information on grain flow to ports via railcar.

The Andersons—provided information on the updating of rail/barge export inspections.

American Commercial Barge Lines—provided transport information on short notice.

Catfish Association of America—provided information on transportation rates for catfish.

Russelleville-Logan County (KY)—provided information and assistance on rail abandonment.

Mississippi State University—provided information and publications on refrigerated transport of perishables.

[CLERKS NOTE.—The report entitled Linking Buyers and Sellers; program review 1985 appears on pages 71 through 92.]

TRANSPORTATION MODES

Mr. WHITTEN. Please provide tables showing the various modes of transportation used to move agricultural products and the volume moved by each during the past 5 years.

[The information follows:]

RAIL GRAIN AND FARM PRODUCT LOADINGS

	Grain cars loaded	Grain bushels [1]	Farm products—cars
Calendar year:			
1985	1,175,346	3,996,176,400	189,022
1984	1,417,328	4,818,915,200	208,974
1983	1,379,101	4,688,943,400	207,337
1982	1,267,056	4,307,990,400	216,924

RAIL GRAIN AND FARM PRODUCT LOADINGS—Continued

	Grain cars loaded	Grain bushels [1]	Farm products—cars
1981	1,352,406	4,598,180,400	222,383

[1] Computed at 3,400 bushels per car.

Barge grain loadings

Calendar year:	*Bushels*
1985	1,673,901,000
1984	1,974,000,000
1983	2,112,548,000
1982	2,167,019,000
1981	1,950,140,000

MODAL SHARE OF MAJOR GRAIN MOVEMENTS 1981–85

	1985	1984	1983	1982	1981
	(Million short tons)				
Rail [1]	115.3	139.0	135.2	124.2	132.6
Barge [2]	48.3	57.0	61.0	62.5	56.2
Truck [3]	159.1	134.9	134.8	135.9	168.3
Sold off farm	322.7	330.9	331.0	322.6	357.1
	(Percentage by mode)				
Rail	35.7	42.0	40.9	38.5	37.1
Barge	15.0	17.2	18.4	19.4	15.8
Truck	49.3	40.8	40,7	42.1	47.1
	100.0	100.0	100.0	100.0	100.0

[1] The Association of American Railroads "Revenue Freight Loaded and Received from Connections by Commodities."

[2] The Agricultural Marketing Service, USDA "Grain and Feed Market News."

[3] Estimates were derived by subtracting railroad and barge shares from grain sold off farms plus end of year stock reductions, but excludes truck hauls to rail and barge sidings.

U.S. PRODUCE SHIPMENTS

[In 1,000 cwt]

	Truck	Railcars	Piggyback	Total
Calendar year:				
1985	443,773	29,677	31,246	504,696
Percent	87.9	5.9	6.2	100.0
1984	436,074	37,358	29,643	503,075
Percent	86.7	7.4	5.9	100.0
1983	434,779	45,240	28,418	508,437
Percent	85.5	8.9	5.6	100.0
1982	427,849	38,930	20,186	486,965
Percent	87.9	8.0	4.1	100.0
1981	428,362	40,591	13,739	482,692
Percent	88.8	8.4	2.8	100.0

BARGE TRANSPORTATION COSTS

Mr. WHITTEN. In last year's hearing record you stated that an increase in the level of cost recovery for waterway expenses could increase the barge transportation costs for many agricultural producers dependent on river access. Has the Office of Transportation conducted any specific studies of the impact this increase would have on agricultural producers?

Mr. FITZPATRICK. The Office of Transportation has not undertaken a specific study to identify the impact these waterway user fees would have on the agricultural producer. Pending legislation would increase waterway user fees from 10 cents per gallon of fuel in 1986, to 20 cents a gallon in 1996. Based upon earlier studies, we estimate that a 20 cents per gallon fee on fuel would add approximately 2 cents per bushel to the cost of shipping grain. How much of this expense is passed back to the producer would depend on market forces at any given time. Meanwhile, OT has been cooperating with the Maritime Administration of the U.S. Department of Transportation on this issue. We are currently committed to fund a study by a 5-State consortium to ease the impact of higher user fees. The consortium consists of state department of transportation personnel from the States of Illinois, Iowa, Minnesota, Missouri, and Wisconsin. The study will look into new and efficient ways to ease the impact of increased user charges on producers. The study is scheduled to start on May 1, 1986, and be completed within 2 years.

EFFECT OF TAXES ON TRUCKING INDUSTRY

Mr. WHITTEN. In last year's hearing record you made reference to the lack of uniformity among states with respect to third structure taxes on the trucking industry. Has the Office of Transportation conducted any specific studies on the impact on agricultural producers of the lack of uniformity in those tax structures?

Mr. FITZPATRICK. Although OT is not conducting specific studies on third structure taxes at this time, we have been monitoring this situation for several years. We are aware of the studies conducted by the Department of Transportation to determine the feasibility of applying third structure taxes on a national level as a substitute for use taxes and excise taxes on new vehicles and tires as mandated in the Deficit Reduction Act of 1984. We are also aware of the non-uniformity of truck taxation levied by ten states which prefer third structure taxes to fuel taxes. The Office of Transportation is most interested in third structure taxes as they relate to motor carrier cost. OT has provided a monthly truck cost report for agricultural truckers since July 1979, that identifies all costs that significantly affect truckers.

IMPACT OF DEREGULATION ON KANSAS WHEAT

Mr. WHITTEN. On page 18g-2 of the explanatory notes reference is made to a publication entitled "Impacts of Rail Deregulation on the Marketing of Kansas Wheat". Please summarize the results of this study and provide a copy for the record.

Mr. FITZPATRICK. "Impacts of Rail Deregulation on the Marketing of Kansas Wheat" was the result of a joint effort between the Office of Transportation and Kansas State University to examine the impact of rail deregulation on the grain marketing system and prices paid to Kansas farmers for wheat.

The study, which covered an eight year period in Kansas from 1977 through 1984, concludes that both Kansas wheat shippers and Kansas farmers have benefited from decreasing rail rates since 1980. In Kansas, overall tariff rates for movement of wheat to the Gulf of Mexico were found to have decreased 31 percent since 1981. These rail rate reductions were reported to be responses to marketing conditions created by many events, including reduced wheat exports, surpluses of equipment, and changes in transport technology. Rail deregulation and the Staggers Rail Act of 1980 did not create these conditions but contributed to a market environment that adjusts more quickly to those changes than in the past.

The study also reports that grain marketing and transportation have changed significantly in the last few years and, in contrast to the general decrease in rates, the deregulation has resulted in economic injury for some shippers.

A copy of "Impacts of Rail Deregulation on the Marketing of Kansas Wheat" is being submitted for the record.

[CLERK'S NOTE.—The Report is too lengthy to be reprinted in the record. A copy will be maintained on file.]

SALE OF CONRAIL

Mr. **WHITTEN**. Please provide for the record your assessment of the Administration's proposal to sell Conrail, specifically as it relates to the shipping of agricultural commodities.

Mr. **FITZPATRICK**. OT has reviewed the various proposals and received briefings from most of the parties involved, and analyzed data provided by the Department of Justice. We also made phone calls and visited grain elevator managers in Illinois, Ohio, and Indiana. Some shippers felt that a Norfolk Southern takeover would open new markets and would be beneficial for them. Others were concerned that they would become captive to the Norfolk Southern. Many shippers did not understand the proposals made by other groups. Since we detected no widespread concern for the Norfolk Southern offer and since we questioned the motivation and financial stability of the other offers, we support the DOT proposal to sell Conrail to the Norfolk Southern.

EFFECT OF DEREGULATION ON GRAIN

Mr. **WHITTEN**. Please provide for the record a copy of the Office of Transportation's report entitled "The Effects of the Staggers Rail Act on Grain Marketing".

Mr. **FITZPATRICK**. We will furnish a copy of the publication "The Effects of the Staggers Rail Act on Grain Marketing".

[CLERK'S NOTE.—The report appears on pages 93 through 116.]

BUDGET REQUEST

Mr. **WHITTEN**. Please identify for the record the level of funding for Fiscal Year 1987 you requested from the Assistant Secretary, the level the Assistant Secretary requested from the Secretary, the level the Secretary requested from OMB, and the OMB allowance.

Mr. **FITZPATRICK**. I requested, with the Assistant Secretary's concurrence, a funding level of $3,500,000 in Fiscal Year 1987 for the

Office of Transportation. The Secretary requested $2,466,000 from OMB, and the OMB allowance is $1,233,000.

PURCHASE OF AUTOMATED EQUIPMENT

Mr. WHITTEN. Last year you testified that the Office of Transportation was procuring word and data processing equipment, totaling $125,000, to improve the effectiveness of your Office. Has the procurement been completed? Is the equipment installed?

Mr. FITZPATRICK. The procurement has been completed and the equipment is installed and operating. I am proud to say the Office is 95 percent automated, thus increasing efficiency in our operations.

Mr. WHITTEN. Should Congress agree with your proposal to terminate the program, what happens to this equipment? Is it compatible with other USDA equipment, and can it be used by other USDA agencies?

Mr. FITZPATRICK. The word and data processing equipment in OT is compatible with that of other USDA agencies. More specifically, our sister agency, the Animal and Plant Health Inspection Service has the same system agency-wide and the equipment could be transferred to that agency. Also, I understand the Agricultural Research Service and the Agricultural Marketing Service have some of this equipment.

Mr. WHITTEN. Thank you. Mr. Akaka?

Mr. AKAKA. I want to tell the members present here that at 11:00 we will be on the floor for that Commodity Credit Cooperation bill that will be coming up, and the reason why the chairman had to leave.

NEED FOR AGENCY

But let me start off by asking you a question. The last time you were here, the chairman had asked a question, why should we keep this agency. And there were good reasons given to keep this agency. And now, the recommendation is to eliminate this agency.

And so we look upon this as a complete turn-around. And we would like to think that there is need for such an agency. I know your agency has been able to unstop some of the bottlenecks of transportation that are of an urgent nature for agriculture. And you have done a good job of doing that.

Can you add to what you have mentioned, and telling us why we should keep it? And tell us, in the past year, some of the urgent calls you have had for assistance from your agency.

Mr. FITZPATRICK. First of all, Mr. Chairman, the reasons I gave last year have not changed. We do have an important mission, and there is no other agency in the Department of Agriculture, or elsewhere in government which represents rural transportation matters as we do.

Therefore, this is very difficult for me, and I cannot stand here and say that the past five years of my life were given to something that I did not believe in, for I believe in the people and our activities very much. But, at the same time, I must defer to the President and OMB, who have looked at the big picture and have a larger perspective than I do, and have decided that there are priorities, and there are other concerns which need attention.

I am trying to mesh those two issues without sounding like a demagogue. There is no question that the reasons I gave last year still exist today and may be stronger. But I only offer that as an explanation.

ASSUMPTION OF OT REPONSIBLILITIES

Mr. **Akaka**. I am sure there are many problems that the agency can handle. But if—and I use the word if—if your agency is allowed to be terminated, who will respond to these urgent calls?

Mr. **Fitzpatrick**. There are many urgent calls. I am not sure, who would respond to them. Some inquiries could be responded to by the states. Others could be responded to by the extension specialists in transportation at some of the land grant universities.

I think the Department of Agriculture—although I do not know of a specific plan could absorb some of these functions into various agencies. But I cannot speak to that, because I am not certain how that would be done.

Mr. **Akaka**. All right. Because of time I am going to ask that we submit some of these questions for the record. And I may submit other questions I have.

LETTERS OF APPRECIATION

I know the transportation industry has a high regard for the Office of Transportation. If you have received letters of appreciation from parties who have called on you for assistance, I would appreciate it if you could make copies of them available for the record.

Mr. **Fitzpatrick**. Yes, sir, we will furnish those letters.

[Clerk's note.—Copies of the letters will be provided to members of the Committee.]

BUDGET REQUEST

Mr. **Akaka**. Mr. Fitzpatrick, what was your request to the Secretary of Agriculture for FY 1987 and what was your department's request to OMB?

Mr. **Fitzpatrick**. I requested to the Secretary a funding level of $3,500,000 in fiscal year 1987 for the Office of Transportation. The Department requested $2,466,000 from OMB.

Mr. **Akaka**. Mrs. Smith.

CONTINUATION OF RAIL SERVICE

Mrs. **Smith**. What efforts has the Office of Transportation taken to insure that agriculture will be assured of rail service in all areas well into the future? Should we be concerned about this?

Mr. **Fitzpatrick**. Railroads must realize a reasonable return on investment to satisfy stockholders and remain in the private sector. Therefore, we do not object to every cancellation of rail service. There are, however, some areas in the country where the lack of competitive rail service adversely impacts on agricultural producers.

OT is involved in a number of efforts to assure continued rail service to agricultural shippers. Examples of these efforts are as follows:

Rail Line Abandonments: Large scale merger activity coupled with a congressionally imposed accelerated abandonment process, has resulted in the elimination of many uneconomic and marginal rail branch lines. Many rural agricultural shippers and receivers have ended up without local rail service. Concern about the adequacy of the rural rail transportation system to meet the transport needs of agricultural shippers, receivers, and producers prompted OT to study the role of the emerging short-line railroads and how they might best serve agriculture.

Since 1984 OT has become more involved in helping farming communities and agriculture related industries deal with railroad abandonments. We helped establish the Fairmount and Western Railroad in Robeson County, North Carolina, which is the state's largest corn producing county. OT helped establish the Franklin County Railroad Corporation and the Nash County Railroad Corporation, two short line railroads in the Piedmont Region of North Carolina. Current efforts are directed towards helping North Carolina's legislative, transportation, agriculture, and commerce offices and agriculture organizations study the feasibility of a rail barge operation to replace the present 5 mile Norfolk Southern rail bridge over the Albemarle Sound as an alternative to abandonment of the line. In South Dakota, OT has been active in helping Dakota Rail, a recently established short line, to ensure that competitive forces are in place, both truck and rail, for the efficient movement of grain to the Twin Cities and elsewhere. Additionally, we are assisting the Itawamba County Development Council in Mississippi to develop a plan to enable the Mississippian Railway to become financially viable.

OT maintains information on rail line service discontinuances and locations of anticipated abandonments for all regions of the country based on ICC data. This information is used in helping to identify areas potentially affected by the loss of rail service.

Rail Car Supply: Responding to requests for assistance in obtaining adequate rail cars for several agricultural and lumber shippers in 1985, OT worked with the Burlington Northern Railroad in alleviating spot car shortages. Perceiving that there would be a shortage of on-farm and commercial storage space and adequate rail cars this past harvest season, OT worked with the Nebraska Grain and Feed Dealers Association to monitor the harvest situation and offer assistance to shippers in this important grain producing state.

Every harvest season, OT monitors harvest activities in all key agricultural regions in an effort to assure producers and shippers have storage space and rail equipment to move farm products to market.

Impact of Rail Strikes on Agricultural Community: OT monitors labor/management relations in the rail industry and strives to anticipate the cause and effect of any work stoppage before it occurs. OT assesses which crop harvests will be affected and works to identify alternate rail, truck and barge service to move agricultural commodities.

Rail Regulatory Proceedings: OT has continuously been active in regulatory proceedings before the ICC and Congressional Committees which would have an effect on present and future rail service. Since 1980, OT has participated in 28 key proceedings at the ICC. One example is the proceeding docketed Ex Parte No. 445, Sub No. 1, *Intramodal Rail Competition,* which concerned competitive access issues. OT filed comments on behalf of Secretary Block supporting the need for clearly defined standards for determining whether a proposed cancellation of through rates, joint routes, or reciprocal switching arrangements should be allowed. OT recognizes that the selective cancellation of such arrangements and activities by the larger, more powerful rail carriers blocks competitive access and may have the effect of eliminating rail service to entire market areas for some agricultural shippers.

REGULATORY DOCKETS OT HAS BEEN A PARTY TO SINCE OCTOBER 1980

ICC #36512: Charges for Inspection in Transit.
Ex Parte #395: Feeder Railroad Development Program.
Ex Parte #334: Car Service Compensation.
Ex Parte #387: Rail Contract Rules.
Ex Parte #320: Market Dominance Rules.
ICC #37545: Gateway Restrictions BN-SOO.

Ex Parte #389: Application of Surcharge or Cancellation of Joint Rates.
F.D. #30000: Trackage Rights in UP-MP Merger.
ICC #38676: Conrail Cancellation of Joint Rates & Routes.
F.D. #21478: Gateway Maintenance in the BN Merger.
ICC #38692: Review of OT-5 Agreement.
ICC #38627: Proportional Rates on Grain from Minneapolis & Duluth.
Ex Parte #346: Boxcar Exemption.
Ex Parte #387: Exemption of Contracts from 30-day Effective Date.
Ex Parte #435: Tariff Filing Rules.
Ex Parte #346: Exemption of Raw Agricultural Products.
Ex Parte #241: Furnishing of Rail Equipment for Loading.
F.D. #29518: Soo Purchase of Rock Island Track.
ICC #39377: Destination Rule for Shipments to Mexico.
ICC #37809: McCarty Farms Complaint Case.
F.D. #30300: CSX Purchase of ACBL.
F.D. #30400: Trackage Rights in the SF-SP Merger.
Ex Parte #320: Standards for Product & Geographic Competition.
Ex Parte #445: Competitive Access Rules.
MC-37 Sub #38: Expansion of South Texas Commercial Zone.
ICC #38904: Elimination of Truck Reporting Requirements.

OT FUNCTIONS CARRIED OUT BY PRIVATE INDUSTRY

Mrs. SMITH. You state in your testimony that many of the services you provide may be handled by the private sector and State Governments. What assurance do we have that this will be able to happen? Some of our more hard hit agriculture states like Nebraska and Iowa might not be able to fund this type of program. The private sector only pursues something when there is light at the end of the tunnel. Any comment?

Mr. FITZPATRICK. OT management believes State and local governments and the private sector may provide some services relinquished by OT; however, other services performed by OT are national and international in scope and would probably not be assumed by local governments or proprietary interests because of the more limited nature of their responsibilities which may not transcend political boundaries or proprietary interests of private companies. The Department is looking into the feasibility of having other USDA agencies take over these responsibilities.

Projects and studies conducted by OT are frequently conducted in cooperation with private industry and State and local governments in which OT serves as a coordinator and facilitator at the national level to bring together often divergent interests and views of local and proprietary interests into a comprehensive national transportation study of policy. The final product of these projects and studies is an attempt to transcend political boundaries and industry segments while incorporating the invaluable ideas and input of local government authorities and industry leaders.

Mr. AKAKA. Mr. Skeen?

Mr. SKEEN. Thank you very much. Mr. Chairman, I will not prolong the time, because we have got a critical situation going on over on the floor.

Mr. Fitzpatrick, I appreciate your concern and the sentiments you expressed. And it is not easy to do away with an agency, because we become ingrained with the idea that we have a mission, it is being accomplished, and people of great talent and professional expertise give a lot of their time to these problems.

I do appreciate the sentiment, too, that when an administrative figure comes along and they say that possibly we could do without this, that you folks are flexible enough, and also professional enough to accept that.

TRANSPORTATION LIABILITY

But that, nevertheless, does not leave us without problems. And one of these problems that I mentioned earlier to Mr. Torgerson was the liability situation. Now I do not know how close you have been to that——

Particularly in the area of trucking, the small agricultural trucker, who is absolutely essential in our part of the country. We have vast distances, and the only way you can get farm and agricultural produce from that producer into any kind of a centralized market involves a lot of small truckers. And they are just absolutely being decimated by the liability insurance and coverage provision. So I would bring it up to you.

What have you done, or what is being done? And if we disseminate this back to states, I think that we are going to lose some kind of a broad approach to doing something about liability coverage for this kind of agricultural transporter.

Mr. **Fitzpatrick**. Obviously, we have not solved the problem, but we have been very active in working with independent motor carrier operators and brokers to resolve the insurance issue.

We believe there are some solutions to the liability situation. The insurance is clearly too high. We think that there needs to be more discussion in agriculture on this problem. We have worked with agriculture leaders on this issue.

In terms of what would happen to the work we are doing on the liability issue, I think that it is an issue that could be picked up in the department.

I will be working to coordinate some of the activities, and try to make sure that some of these things are covered through other agencies.

Mr. **Skeen**. Thank you. I think this has become a nationwide crisis in almost every area.

I appreciate your answers very much. And thank you, Mr. Chairman.

Mr. **Fitzpatrick**. Thank you, Mr. Skeen.

Mr. **Akaka**. Thank you very much, Mr. Skeen. Are there any further questions?

Otherwise, I want to thank you very much for your testimony and responses to our questions.

Mr. **Fitzpatrick**. Thank you, Mr. Chairman, very much.

Mr. **Akaka**. Thank you very much. The meeting stands adjourned.

OFFICE OF TRANSPORTATION

Statement of Martin F. Fitzpatrick, Jr., Administrator, Office of Transportation, before the House Subcommittee on Agriculture, Rural Development, and Related Agencies.

Mr. Chairman, Members of the Committee, I want to thank you for the opportunity to appear before you today. With me are Dr. Wesley R. Kriebel, my Deputy Administrator, and Samuel V. Ladd, Director of the Budget and Accounting Division of the Animal and Plant Health Inspection Service (APHIS). APHIS provides administrative support for the Office of Transportation.

Proposed Agency Elimination

We believe the Office of Transportation (OT) has provided a significant service to the U.S. agricultural industry since its formation in December 1978. However, in order to reduce mounting Federal deficits, it has become necessary to make difficult choices in order to reduce government expenditures. It has been determined that OT functions are not as high a priority in serving the agricultural industry as other Departmental programs. Accordingly, it is proposed to eliminate OT by the end of Fiscal Year (FY) 1987. The funding and staffing ceilings provided in FY 1987 will allow the Agency to phase down its program responsibilities during FY 1987. You have before you the proposed budget for FY 1987.

FY 1985 Accomplishments

I would like to take a few minutes to note our FY 1985 accomplishments. During FY 1985 we continued our close monitoring of the effect of rail deregulation on American agriculture. We have found that rail deregulation has had a positive effect for most farmers, but that some, particularly small shippers in isolated areas, have suffered from rate increases and line abandonment. We are working with the States and industry to deal with these problems. Recently, we were successful in helping establish three short line railroads in North Carolina. In addition, we are currently working with the Dakota Rail Road in South Dakota to insure its survival so the farmers can remain competitive in the market place. In FY 1986 we will continue this work with other States.

The grain industry has been particularly concerned with the effects of the rail deregulation. To help serve this important segment of agriculture, we have interviewed industry people and conducted a nationwide mail survey of grain shippers. We cooperated with Kansas State University to study the effects of rail deregulation on the marketing of Kansas wheat. We provided all of our findings to Congress during oversight hearings on the effect of rail deregulation.

I spoke in the past on the impending crisis of rural roads and bridges. We have developed a pilot study to assist States in identifying and priortizing rural road network problems. The Pennsylvania Departments of Agriculture and Transportation have conducted a study, based on our model. Additionally, we have assisted a number of midwest states to identify means for financing improvements. We strongly encourage other States to examine this problem.

We have continued our efforts to help develop export markets for U.S. farm products. We are implementing the Agreement on the International Carriage of Perishable Foodstuffs and on the special equipment to be used for such transportation. This requires a program of inspection, testing, and certification of refrigerated equipment. OT has developed the protocol for this program. OT continues to assure the timely cross-border movement of approximately 40,000 covered hopper cars of grain to and from Mexico annually. We have also conducted research to improve shipping technology designed to reduce product losses or to reduce transportation costs.

Industry and State Involvement

Many of the services we currently provide may be handled by the private sector and State governments. For example, we hope that universities will conduct research and analyses of transportation services and costs, rail abandonments, rural roads and bridges, and the consequences of transportation policy development upon agricultural producers. Industry should also continue with its research and expand its interest in common problems such as the rural road network.

Another important OT responsibility is participating in regulatory proceedings on behalf of American agriculture. In the last five years, OT has been involved in 28 key cases. As Congress has passed legislation reducing Federal regulatory responsibilities in recent years, there has been a downward trend in the regulation of surface transportation.

Mr. Chairman, recommending the elimination of an agency is never easy and this is certainly no exception. But I am hopeful that the base of work we have accomplished can be carried on by the States and industry. I would be happy to answer any questions that you may have.

BRIEF DESCRIPTION OF AGENCY

THE OFFICE OF TRANSPORTATION (OT), organized in 1978, brought together traffic managers, economists, engineers, and agricultural marketing specialists from several USDA agencies to solve problems of U.S and world agricultural transportation systems.

OT is delegated the authority given the Secretary of Agriculture to represent agricultural interests before regulatory agencies regarding transportation matters, and to perform research and other activities relating to agricultural transportation. It is the only agency in the Federal Government specifically organized to develop national agricultural transportation policy and promote an efficient transportation system to help improve farm income, expand exports, and meet the needs of rural America.

The current organization has two divisions--domestic and international--that reflect growing interest and emphasis on international trade, while providing more support for close analysis of rapidly changing domestic issues.

The domestic division undertakes programs that encourage and promote an efficient U.S. transportation system for large and small producers, shippers, and exporters of agricultural products. Improved rural roads and bridges, fair and equitable rail and truck rates, and a competitive barge industry are among the objectives of the domestic division.

The international division develops programs aimed at finding better and more cost-effective methods to move product to world markets and provides technical assistance to foreign nations to increase trade and expand U.S. markets.

Both divisions conduct technical research, often in cooperation with private industry; help formulate and guide agricultural transportation policies; plan and author economic studies; and publish reports aimed at providing accurate and timely information about domestic and international transportation issues, news, and trends.

DOMESTIC

Impact of Rail Deregulation

- One of OT's top priorities is the close monitoring of what is happening to producers as a result of rail deregulation. OT has published two reports assessing the impact of rail deregulation. While deregulation has generally benefitted agriculture, the concerns that remain involve the lack of protection afforded small shippers by current rate reasonableness standards, the unrestricted cancellation by carriers of joint rates and reciprocal switching, and the inequities that can result from contract rate secrecy. OT believes the solution to these problems lies in negotiated settlements to shipper-carrier differences and better interpretation and application of existing law.

- On-site interviews were conducted at grain elevator facilities in six major grain producing states of Illinois, Indiana, Ohio, Michigan, Minnesota, and North Dakota to obtain firsthand information about the changes in grain marketing that have resulted from the Staggers Rail Act of 1980. During a typical interview, an OT team would meet with a manager of a grain elevator and collect information regarding the manager's experiences with post-Staggers situations such as rail contracts and switching fees.

- A mail survey obtained information about the rail transportation system providing service to grain shippers across the country. The survey included questions regarding operational practices, rail contracts, switching fees, and cancellation of joint rates and routes. Responses were received from shippers in 43 states.

- A case study was conducted to measure the impact of rail deregulation on the grain marketing system and prices paid to farmers. The study, done in cooperation with Kansas State University, examined changes in both the grain marketing system and prices paid to Kansas farmers for wheat spanning the period when rail deregulation occurred. The results are reported in a publication titled Impacts of Rail Deregulation on Marketing of Kansas Wheat (September 1985). Though the study found that rail deregulation injured some Kansas shippers, farmers generally benefitted from rail rate reductions occurring after deregulation.

- OT provided the information gained through these survey and study efforts in testimony before the Congress during oversight hearings on the Staggers Rail Act of 1980.

- OT has participated in several ICC proceedings during the past year. In the Coal Rate Guidelines case, OT argued against the application of such rate guidelines to the shipment of grain on grounds that it would not be in agriculture's interest. The grain industry was opposed as well.

  In another ICC proceeding, OT supported the need for clearly defined standards for determining whether a proposed cancellation of through routes, joint rates, or reciprocal switching should be allowed in competitive access determinations.

- In another case involving Product and Geographic Competition, OT argued against the use of product and geographic competition in rate reasonableness proceedings, citing the wide range of interpretations involved in the determination of such competition. The vagueness of such standards would impose too great a burden upon smaller agricultural shippers and effectively foreclose regulatory protection for them.

Rural Transportation Infrastructure

- OT is concerned about the adequacy of the rural roads and rail lines to meet the transport needs of agricultural producers and rural communities. OT has developed information and data on the needs, conditions, and extent of the rural system. This information is used to analyze policies and to assess the economic performance of the marketing system for agricultural products.

- A statewide study of Pennsylvania's (PA) agricultural access needs was completed by the PA Department of Transportation. It was based upon a pilot study involving OT to identify the system of rural roads and bridges considered most important to Pennsylvania's agriculture and forest industries. It focused on information needed by State transportation officials to identify priority needs for planning and programming rural roadway improvements. A process was developed for incorporating the rural needs through local input. The pilot effort is summarized in a publication titled the Pennsylvania Agricultural Access Network Pilot Study (September 1983). The statewide results are presented in Pennsylvania Agri-Access Network Statewide Report (April 1985).

o OT coordinated a study of the road and bridge conditions and needs from the perspective of township officials, farmers, and agricultural businesses in Illinois, Ohio, Minnesota and Wisconsin. Policy recommendations and possible alternatives for financing were evaluated by the users and providers. The results are reported in a publication titled Financing Rural Roads and Bridges in the Midwest (October 1984).

o OT helped the U.S. Forest Service develop a technology transfer plan for assisting state and local officials in constructing new and replacement timber bridges on the rural road system. Now OT is helping to implement the technology transfer plan which includes the development of a timber bridge design and construction manual, the dissemination of information to rural officials, and the conduct of on-site demonstrations.

Current information is maintained on rail line service discontinuances or locations of anticipated abandonments for most regions of the country, based on ICC data. This information is used in helping to identify rural areas potentially affected by the loss of rail service.

Since 1984 OT has become involved in helping farming communities and agriculture-related industries deal with railroad abandonments. OT helped establish two short line railroads in North Carolina. Current efforts are directed toward helping officials representing North Carolina's legislative, transportation, agriculture, and commerce offices and agriculture organizations study the feasibility of a modern rail-barge operation to replace the present rail bridge over the Albermarle Sound as an alternative to abandonment of the line. OT is also working with other states trying to help with line abandonments.

Shipping Technology

o Another vital program is finding ways to reduce product loss or to reduce costs of transportation throughout the food distribution system. Often this work requires economics, marketing and other technical specialists to analyze equipment or processes. In most instances, OT and private sector organizations cooperate in the applied research program devoted to reducing the total food distribution cost to consumers. The objective is to reduce costs of transportation or product loss or maintain product quality during transit.

o OT worked with industry cooperators to evaluate both mechanically and cryogenically refrigerated multi-compartmental trailers used for combination fresh and frozen food deliveries. The study found that cryogenically refrigerated trailers operated at the least cost and provided the fastest temperature recovery after door openings. A final report is forthcoming on this project, which was completed in 1985.

o More than $125 million worth of potatoes are lost by bruising annually. OT studied this loss and determined that very little is a result of bruising in transit, though considerable bruising results from handling during vehicle loading and unloading. The study estimated the degree of handling abuse which will result in bruising damage. One report is available and a second is soon to be released.

o OT developed and tested a new fiberboard tube packaging system for the shipment of bees. The tube system replaces the wood-and-wirescreen cages which have been used since the 1800's. The screen cages are easily broken and release bees in aircraft baggage bay and mail trucks. The new tube package, for which USDA will hold a public patent, is much stronger and no more costly than the traditional cages. Further testing on export shipments overseas will be completed in 1986. An article will soon be published in the trade press describing the OT bee tube system.

o OT concluded a long-term study to develop new equipment and methods for shipping feeder and slaughter cattle by rail with onboard feed and water in 1985. The study addressed specifications for stocking densities, feed bunkers, watering equipment, and flooring designs and determined that shipping cattle by rail with feed and water is a technically feasible option. Intermodal livestock containers for transport on flatcars and containerships were developed by industry based on the design criteria developed in this study.

INTERNATIONAL

Expanding Markets for U.S. Exports

The U.S. share of the world market has trended downward in recent years in raw bulk commodities because of increasing competition as other nations develop their own production and exporting expertise. But world demand is increasing for high-value and value-added commodities. OT works with industry and other government groups to help U.S. exporters expand into new markets and retain the old.

- The United States is a signatory to a United Nations Economic Commission for Europe (ECE) treaty entitled Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be Used for such Carriage, or ATP. The authority to implement the agreement has been delegated to OT.

- The agreement requires the establishment of a program of inspection, testing, and certification of refrigerated equipment to meet health and safety requirements of some ECE nations for the transport of certain foodstuffs within Europe. This program for U.S. exporters will enable them to be more competitive in those markets by providing a lesser cost alternative to the system of fees they incur in its absence. The program, to be carried out in cooperation with industry and the testing done by the private sector, will be fully operational in the middle of calendar year 1986.

- OT completed a study for USDA's Foreign Agricultural Service (FAS) on the transportation, handling, and export of oak from several Eastern States to the European Community. The study found that weight restrictions on U.S. highways and at U.S. ports limit exports of oak logs and lumber. OT concluded that combining individual shipments of oak from Baltimore, the major port of export for oak to the Federal Republic of Germany, the major recipient, could improve transportation efficiency.

- At the request of FAS, OT undertook a survey of 13 container and grain handling ports in the Middle East for the purpose of determining their ability to handle effectively the discharge of U.S. agricultural exports.

Port expansion and modernization programs undertaken by the Arabian Peninsula countries over the past ten years has resulted in the development of port facilities with the technology and capability for handling the world's most sophisticated container traffic along with that of bulk and general cargo. In fact, there is now a substantial excess port capacity at most of these 13 major ports.

Frequency of ocean freight services from the United States to the Middle East appears to be adequate. United States ports, however, have a transportation distance disadvantage with a number of other major world port competitors in terms of reaching the Middle East markets.

- The Export Trading Company Act of 1982 allows businesses and associations, including producers, processors, bankers, transporters, and marketers to operate collectively as a single export trading company (ETC). ETC participants have a great deal of latitude. OT undertook a study of the use of ETC's to reduce agricultural transport costs. The study found that many U.S. exporters--particularly small firms with annual exports of less than $1 million--sell their products f.o.b. (free on board), leaving it up to the buyer to assume the risk for volatile freight rates, scheduling, and other uncertainties. The seller thereby relinquishes control over one of the most important elements affecting the cost of his product in the international marketplace.

- OT cosponsored and participated in a scientific and technical exchange with Australia and New Zealand studying all aspects of livestock export. Australia and New Zealand have the largest livestock export programs in the world. Information on their latest transportation technology and preconditioning treatment of animals for the export trade are being disseminated to American livestock exporters.

- OT coordinates U.S. agricultural exports overland to Mexico, serving the function of border coordinator as required by a bilateral supply agreement between the two countries. The forum for coordination, as called for by the agreement, is a U.S.-Mexico Transportation Group, consisting of representatives of suppliers, purchasers, carriers, and government agencies concerned with export transactions (customs, inspection, etc.).

The group exists to coordinate the many complexities of transporting large volumes--4 million tons of grain annually by rail--through just a few border crossing points with very limited storage facilities for both customs and health inspections. OT has helped eliminate costly delays at border points and congestion at rail yards, and has helped speed the return of empty cars from the Mexican interior. This activity has significantly and directly helped the U.S. retain the major share of the Mexican market for corn, sorghum, soybeans, sunflower seeds, and non-fat dry milk.

o OT revised its Export Handbook for U.S. Agricultural Products. This handbook provides a shipper of agricultural products with a brief but well-defined set of guidelines to help in foreign market competition. Topics include general shipping information, product selection, packaging, storage, handling, loading and transport, as well as product disorders.

Assistance to Trading Partners

OT is also involved in programs of technical exchange with other nations. These activities promote improved relations between countries and more stable markets.

The Caribbean Basin Initiative (CBI), enacted by Congress in 1983 to promote the economic development of 27 nations through trade, aid and investment, provides duty free entry into the United States for most Caribbean Basin products until 1995. OT is a key participant in the U.S. Department of Transportation's CBI Transportation Working Group. The Working Group's role is to identify transportation problems, prescribe appropriate action, and initiate action whenever possible on issues which block the attainment of CBI objectives.

One of the principal problems in exporting agricultural products from the CBI is the availability of services and facilities for the handling of perishable products. Since transportation costs and services are predominant impediments, OT participated in workshops and conferences sponsored by the Agri-Business Promotion Council, Agency for International

Development, and USDA in order to discuss the packaging, handling and transportation of perishables. OT also cooperated with the Office of International Cooperation and Development in conducting workshops in several CBI countries on similar topics.

- At Mexico's request, OT assisted producers from Tamaulipas, the major grain producing state in Mexico, to transport over 12,000 truckloads of corn and sorghum alleviating a harvest crisis of inadequate storage in Tamaulipas. OT arranged with the U.S. Customs and USDA's Animal and Plant Health Inspection Service and with the Public Elevator at the Port of Brownsville to have the grain trucked across the border between Matamoros and Brownsville and transloaded to vessel for reshipment to Mexican ports. Because shipments took place at night to avoid traffic congestion, special arrangements were required for after-hours and overtime inspections and services.

- OT, on request, provided assistance to the Japan Institute of Food Distribution Systems, a quasi-public group funded by the Japan Ministry of Agriculture, Forestry, and Fisheries. The group exists to develop improved methods of transporting foods, especially perishable products. OT arranged seminars and provided information of various sorts for the benefit of this group. As a result, OT was further requested to advise delegations from Japan and China in formation of the Japan-China Food Circulation Development Commission, organized for the purpose of exchanging information and methods between the two countries.

In 1982 at the request of the People's Republic of China, OT sent a team to review that country's grain handling, storage, and milling system and the transportation system. In follow up, OT arranged an extensive tour of U.S. transportation and handling facilities in 1985 for a delegation of top Chinese officials. As a result, the Chinese are now negotiating with U.S. firms for purchase of rail cars, trucks, trailers, containers, and other equipment to modernize their systems.

OT worked with produce industry representatives to evaluate the impact of the Motor Carrier Safety Act of 1984. This law requires Mexican-owned or domiciled trucks to be registered on an annual basis with the ICC. Registration permits Mexican motor carriers to operate within established commercial zones of towns located along the border. Since the majority of produce establishments in the Rio Grande Valley are located outside the prescribed commercial zones, many feared they would be left without adequate transportation at a reasonable price. The same situation exists in the Nogales, Arizona, area. OT sent letters of support to the ICC on behalf of U.S. produce interests to expand the commercial zones of towns in the Rio Grande Valley and Nogales to include those establishments which are outside the present commercial zones. OT also filed a formal petition with the ICC in Ex Parte No. MC-37 (Sub. No. 38), Petition to Establish a Commercial Zone of Cameron, Hildalgo, Starr, and Willacy Counties, Texas, dealing with the Rio Grande Valley commercial zone.

INFORMATION AND ASSISTANCE

Periodicals

OT publishes the weekly "Grain Situation Report" and the monthly "World Agricultural Transportation Report." Both reports provide news, relevant statistics, and insights into current issues and trends.

Each month "The Truck Cost Report" gives fixed and variable costs for fleet and owner-operated fruit and vegetable trucks. This report is published in cooperation with USDA's Agricultural Marketing Service as a part of the Fruit and Vegetable Market News.

These periodicals are available on subscription for a fee.

Other Publications and Reports

Many OT research and other projects result in publication of reports or articles, some of which are mentioned in earlier sections of this booklet. Write or call the OT offices listed inside the front cover for cost and availability of these and other publications, articles, and reports.

Conferences and Workshops

OT sponsors, encourages, and participates in information and educational conferences and workshops which are designed to increase participant knowledge of domestic and international agricultural transportation systems and issues, promote dialogue, develop realistic strategies for solving problems, and provide up-to-date information about the complex and rapidly changing U.S. and world transportation systems.

On different occasions OT cosponsored with the National Association of State Departments of Agriculture and with Western Growers Association two agricultural transportation conferences that examined the effects of recently enacted transportation legislation. OT also cosponsored with the U.S. Department of Commerce two conferences on export trading companies designed to provide information to potential ETC participants and targeted at agricultural exporters. A Mid-America Rural Road and Bridge Conference was held in cooperation with the Illinois Department of Agriculture and the Illinois Cooperative Extension Service to share with State and local officials information about and strategies for solving rural road and bridge problems. OT also chairs the transportation panel for USDA's annual OUTLOOK Conference.

Technical Assistance

Providing accurate and timely information and assistance suggests the substance and structure of OT's mandate and mission--Service to farmers, shippers, exporters, and Federal, State, and local officials, through prompt technical assistance and the dependable transfer of useable information.

Technical assistance takes many forms. OT handles many requests every year for information on a range of topics. OT offers guidance and assistance to shippers involved in or contemplating ICC regulatory actions and offers help to groups of small shippers in rate or contract negotiations. In addition, OT meets with a number of groups every year in a resource capacity. Some of the prominent organizations on which OT is represented as a committee member or chairman or director include the following: National Motor Carrier Advisory Committee, St. Lawrence Seaway Working Group, Federal Highway Administration's Rural Transportation Issues Workshop Steering Committee, Transportation Research Forum, Transportation Research Board, International Institute of Refrigeration, Animal Air Transportation Association, National Council of Farmer Cooperatives, and United Fresh Fruit and Vegetable Association.

OT strives to anticipate causes and effects of problems like rail and truck strikes before they occur and to promote solutions that consider the interests of U.S. agriculture. During emergencies or natural disasters OT remains ready to assist with up-to-date information and analysis of the potential impacts on the shipment of U.S. agricultural products.

FUTURE PRIORITIES

Domestically, not all rail regulatory issues are fully resolved, such as competitive access, contract rate disclosure, and application of market dominance criteria for determination of rate reasonableness. Insurance coverage for the trucking industry is becoming very expensive and is affecting the cost and availability of motor transportation, especially for perishables. Rural roads and bridges are not adequate, a condition aggravated by rail abandonments. OT will continue working with industry groups and with Federal, State, and local officials on these and other matters.

Internationally, OT will be watching as effects of the Shipping Act of 1984 become more pronounced. Always a politically sensitive issue, cargo preference (reservation of a prescribed share of export traffic for flag carriers of the exporting nation) will probably be debated in 1986; and OT will be concerned with the impact that alternative proposals would have on agriculture. OT will apply its research and other efforts to the Carribean Basin Initiative and to means by which U.S. exports of high-value and value-added agricultural commodities may be increased.

Specific priorities for the near future will be based on these goals:

* Help agricultural producers survive the negative consequences of rail deregulation and benefit from its opportunities;

* Help rural areas with a road and bridge renaissance; and

* Help open new world markets for U.S. agricultural products through improved and more cost-effective transportation.

OFFICE OF TRANSPORTATION

Purpose Statement

The Office of Transportation (OT) was established by Secretary's Memorandum 1966 on December 12, 1978. The Office was formed by consolidating several Department transportation functions. The Office carries out its program under the following legislation:

1. Agricultural Adjustment Act of 1938.
2. Agricultural Marketing Act of 1946.
3. Agricultural Trade and Assistance Act of 1954.
4. Rural Development Act of 1972.
5. International Carriage of Perishable Foodstuff Act of 1982.
6. Cooperative Marketing Act of 1926.

The Office of Transportation is responsible for formulating agricultural transportation policy in USDA and promoting an efficient transportation system that improves farm income, expands exports, and meets the needs of rural America. OT has four major program areas:

1. Physical Distribution Systems

   OT conducts technical research and development concerned with transporting and handling agricultural products to domestic and overseas destinations, designed to extend technological innovations to the needs of the agriculture and transportation industries and consumers.

2. Transport System Performance

   OT assists the agricultural community in solving domestic and/or international transportation problems and represents farmers and agricultural shippers before the various regulatory agencies to help them obtain equitable transportation rates and services. OT also performs economic analyses designed to develop USDA policy recommendations for addressing current or anticipated problems in agricultural transportation and for assisting agricultural shippers and receivers to resolve issues of transportation services.

3. Rural Transportation Development

   OT facilitates educational activities and assists State and community leaders to foster local, State, and Federal partnerships for the identification and solution of transportation problems affecting rural communities.

4. International Transportation Development

   OT assists agricultural exporters develop foreign market opportunities by trying to reduce international transportation barriers and by assisting exporters achieve improved transportation rates and services for U.S. agricultural products to reach foreign markets.

These functions are carried out by a technical and administrative staff located in Washington, D.C., and technical staff located in Beltsville, Maryland. As of September 30, 1985, there were 45 full-time employees.

OFFICE OF TRANSPORTATION

Available Funds and Staff-Years

1985 Actual and Estimated 1986 and 1987

Item	1985 Actual		1986 Estimated		1987 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Office of Transportation...	$2,878,030[a/]	46	$2,445,000	49	$1,233,000	25
Obligations under other USDA appropriations:						
Foreign Agricultural Service....................	9,167	--	20,000	--	--	--
Total, Office of Transp....	2,887,197	46	2,465,000	49	1,233,000	25

Full-Time Equivalent Staff-Years:	1985 Actual	1986 Estimated	1987 Estimated
Ceiling..................	46	49	25
Non-Ceiling..............	--	--	--
Total..................	46	49	25

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a/ Includes $41,030 obligated in FY 1985 by the Agricultural Stabilization and Conservation Service that were transferred to the Office of Transportation on December 23, 1984, for traffic management functions, but are shown here for all of FY 1985 for comparibility purposes.

OFFICE OF TRANSPORTATION

Permanent Positions by Grade and Staff-Years Summary

1985 and Estimated 1986 and 1987

Grade	1985			1986			1987		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-2	1	--	1	1	--	1	1	--	1
GS/GM-15	5	--	5	5	--	5	5	--	5
GS/GM-14	7	1	8	7	1	8	8	--	8
GS/GM-13	8	2	10	8	2	10	--	--	--
GS-12	5	--	5	5	--	5	--	--	--
GS-11	7	--	7	5	--	5	1	--	1
GS-9	1	1	2	1	1	2	1	--	1
GS-7	4	--	4	4	--	4	--	--	--
GS-6	4	1	5	4	1	5	--	--	--
GS-5	3	--	3	3	--	3	--	--	--
GS-4	--	1	1	--	1	1	--	--	--
Ungraded Positions.......	--	--	--	--	--	--	--	--	--
Total Permanent Positions..............	45	6	51	43	6	49	16	--	16
Staff Years:									
Ceiling.................	40	6	46	43	6	49	25	--	25
Non-Ceiling.............	--	--	--	--	--	--	--	--	--
TOTAL..............	40	6	46	43	6	49	25	--	25

OFFICE OF TRANSPORTATION

CLASSIFICATION BY OBJECTS

1985 and Estimated 1986 and 1987

	1985	1986	1987
Personnel Compensation:			
Headquarters	$1,442,118	$1,490,000	736,000
Field	304,896	323,000	159,000
11 Total personnel compensation	$1,747,014	$1,813,000	895,000
12 Personnel Benefits	181,610	188,000	93,000
Total Personnel Compensation and Benefits	$1,928,624	$2,001,000	988,000
Other Objects:			
21 Travel	85,793	40,000	20,000
22 Transportation of things	215	--	--
23.2 Communications, utilities and miscellaneous charges	72,898	75,000	65,000
24 Printing and reproduction	45,194	40,000	20,000
25 Other services	472,761	260,000	130,000
26 Supplies and materials	58,447	17,000	10,000
31 Equipment	45,047	12,000	--
Total other objects	780,355	444,000	245,000
Total direct obligations	2,708,979	2,445,000	1,233,000
Position Data:			
Average Salary, ES positions	$ 63,764	$ 66,232	66,232
Average Salary, GS positions	$ 34,627	$ 34,153	47,284
Average Grade, GS positions	10.98	9.84	13.80

OFFICE OF TRANSPORTATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Office of Transportation

For necessary expenses to carry on services related to agricultural transportation programs as authorized by law; including field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $20,000 for employment under 5 U.S.C. 3109, [$2,466,000] $1,233,000: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but, unless otherwise provided, the cost of altering any one building during the fiscal year shall not exceed 10 per centum of the current replacement value of the building.

OFFICE OF TRANSPORTATION

Appropriation Act, 1986		$2,466,000
Budget Estimate, 1987		1,233,000
Decrease in Appropriation		-1,233,000
Adjustments in 1986:		
Appropriation Act, 1986	$2,466,000	
Less Pro-Rata Reduction, 99-190	- 15,000	
Net appropriations	2,451,000	
Transfer to Departmental Administration and Office of Governmental and Public Affairs.a/	- 6,000	
Adjusted base for 1986		$2,445,000
Budget Estimate, 1987		1,233,000
Decrease from adjusted 1986		-1,212,000

SUMMARY OF DECREASES
(On basis of appropriation)

Item of Change	1986 Estimated	Decrease	1987 Estimated
Office of Transportation	$2,445,000	-$1,212,000	$1,233,000

PROJECT STATEMENT
(On basis of appropriation)

PROJECT	1985 Actual		1986 Estimated			1987 Estimated	
	Amount	Staff Years	Amount	Staff Years	Decreases	Amount	Staff Years
Office of Transportation							
1. Research	$1,197,277	21	$ 991,000	22	- $491,000	$ 500,000	11
2. Technical Assistance	1,511,702	25	1,454,000	27	- 721,000	733,000	14
Unobligated balance	169,051	--	--	--			
Total Available	2,878,030	46	2,445,000	49	(1) -1,212,000	1,233,000	25
Transfer to Departmental Administration and Office of Governmental and Public Affairs	+6,000	--	+ 6,000				
Total Appropriation	2,884,030	46	2,451,000				

a/ A transfer of $2,000 to Departmental Administration and $4,000 to Office of Governmental and Public Affairs is to fund activities previously financed on a reimbursable basis as a direct appropriation in FY 1987.

EXPLANATION OF PROGRAM

The programs of the Office of Transportation (OT) are carried out under the authority of the (1) Agricultural Marketing Act of 1946, (2) Agricultural Adjustment Act of 1938, (3) Agricultural Trade and Assistance Act of 1954, (4) Rural Development Act of 1972, and (5) International Carriage of Perishable Foodstuffs Act of 1982.

These activities are designed to assure that the transportation system will adequately serve the agricultural and rural areas of the United States and will provide the services necessary to assure the residents of these areas adequate facilities for the movement of agricultural commodities and people. The main areas of responsibility are providing technical assistance to shippers and carriers, technological research, development, and demonstrations in agricultural transport equipment, and participation in transportation regulatory actions before various Federal agencies. The Department is currently involved in the implementation of the International Carriage of Perishable Foodstuffs Act of 1982. In addition, OT provides economic analyses to enable the Department of Agriculture to develop policy recommendations for addressing current or anticipated problems in domestic and international agricultural transportation.

JUSTIFICATION OF DECREASE

(1) A decrease of $1,212,000 in the administration and coordination of transportation programs in USDA.

Need for Change. Consistent with the need to reduce mounting Federal deficits, it is proposed that the Office of Transportation (OT) be eliminated by the end of Fiscal Year 1987. Also due to Federal government deregulation of the transportation industry, it will no longer be necessary to participate in regulatory matters. Some OT activities will be performed by other USDA agencies as part of their regular on-going programs.

Nature of Change. All Agency activities would be terminated by the end of Fiscal Year 1987. FY 1987 funds would enable OT to complete high-priority existing studies and phase out Agency activities throughout FY 1987.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS

1985 AND ESTIMATED 1986 AND 1987

	FY 1985		FY 1986		FY 1987	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia...........	$2,249,191	40	$1,979,000	43	$1,233,000	25
Maryland.............	465,788	6	466,000	6	--	--
Total............	$2,714,979	46	$2,445,000	49	$1,233,000	25

OFFICE OF TRANSPORTATION

STATUS OF PROGRAM

Current Activities: The mission of the Office of Transportation (OT) is to enhance and improve the transportation system for agriculture and rural areas in the United States.

Major OT program responsibilities include:

- -- Physical Distribution Systems. OT conducts technical research and development concerned with transporting and handling agricultural products to domestic and overseas destinations, designed to extend technological innovations to the needs of the agriculture and transportation industries and consumers.
- -- Transport System Performance. OT assists the agricultural community in solving domestic and/or international transportation problems and represents farmers and agricultural shippers before the various regulatory agencies to help them obtain equitable transportation rates and services. OT also performs economic analyses designed to develop USDA policy recommendations for addressing current or anticipated problems in agricultural transportation and for assisting agricultural shippers and receivers to resolve issues of transportation services.
- -- Rural Transportation Development. OT facilitates educational activities and assists State and community leaders to strengthen local, State, and Federal partnership for the identification and solution of transportation problems affecting rural communities.
- -- International Transportation Development. OT assists agricultural exporters to develop foreign market opportunities by trying to reduce international transportation barriers and by assisting exporters to achieve improved transportation rates and services to reach foreign markets.

Continued implementation of the above responsibilities will help assure that U.S. agriculture continues to have effective access to domestic and international markets for its products and that transportation resources are used efficiently.

Selected Examples of Recent Progress:

OT places particular emphasis in providing technical assistance, research and policy guidance to the agricultural community, transportation industry, and other governmental agencies, including Congress, that will enhance the net return to agricultural producers and improve the quality of transportation in rural areas.

1. Helped Provide for an Improved Rural Transportation System

   As a part of OT's continuing effort to help rural officials and leaders provide transportation infrastructure to serve the transport needs of their communities and State, OT has directed research and assistance toward planning, maintaining, and improving rural roads and bridges and toward effectively dealing with railroad abandonments.

   Rural Roads and Bridges - OT coordinated a study funded by OT, USDA's Agricultural Marketing Service, and USDA's Office of Rural Development Policy to identify local rural road and bridge needs in four Midwestern States from the perspective of township officials, farmers, and agri-businesses, to examine local finance and management options, and to develop a computerized Management Assistance Program to help local rural officials budget and plan their road and bridge improvements. The results are reported in a publication titled Financing Rural Roads and Bridges in the Midwest. The project culminated in a Mid-America Rural Road and Bridge Conference being held in Chicago to share the project results and alternative methods being used by officials around the country to improve their rural roads and bridges. Due to the magnitude of the rural bridge problem, OT continued to assist USDA's Forest Service to develop and implement a technology transfer plan for assisting State and local officials in constructing new and replacement timber bridges on the rural road system.

Railroad Abandonments - Since 1984 OT has become actively involved in helping farming communities and agriculture-related industries deal with railroad abandonments. OT helped establish the Fairmount & Western Railroad in Robeson County, North Carolina, which is the State's largest corn producing county. OT also helped establish two new short line railroads in North Carolina, namely the Franklin County Railroad Corporation and the Nash County Railroad Corporation. Current efforts are directed toward helping officials representing North Carolina's legislative, transportation, agriculture, and commerce offices and agriculture organizations study the feasibility of a modern rail-barge operation to replace, at a cost of $19 million, the present rail bridge over the Albemarle Sound as an alternative to abandonment of the line.

2. Monitored and Evaluated Rail Deregulation

OT continued to monitor and evaluate the impact of rail deregulation on agriculture through on-site interviews, a sample survey effort, a case study, and participation in regulatory and legislative matters. In addition, two educational conferences were held, one in Virginia and one in California, to assist farmers, State Departments of Agriculture, and transportation officials better understand the legislation and regulatory reforms affecting the transport of agricultural products.

The on-site interviews were conducted at grain elevator facilities in six major grain producing States to obtain first hand information about the changes in grain marketing that have resulted from the Staggers Rail Act of 1980. By using this method, OT evaluated the marketing practices in a specific region.

The mail survey effort was implemented to obtain information about the rail transportation system providing service to grain shippers all across the country. Responses were received from shippers in 43 States. The responses to the mail survey included small grain shippers that had no other means to express their concerns about deregulation.

The case study was conducted to measure the impact of rail deregulation on the grain marketing system and prices paid to farmers. The study, done in cooperation with Kansas State University, specifically looked at the grain marketing system and prices paid to Kansas farmers for wheat. The results are reported in a publication titled Impacts of Rail Deregulation on Marketing of Kansas Wheat.

Data collected from the various methods were used by OT to provide testimony regarding the effect of the Staggers Act on agriculture at oversight hearings before the Surface Transportation Subcommittee of the Senate Committee on Commerce, Science, and Transportation.

3. Provided Technical Assistance and Information

OT provided service to shippers and exporters through prompt technical assistance and a consistent and dependable transfer of information. The following examples highlight OT's efforts:

On behalf of the National Hay Association, OT intervened in a tariff filed by the Trans-Pacific Westbound Rate Agreement which, if successful, would have set minimum container rates on low value commodities, thereby collapsing the Far East market for U.S. hay products. OT protested the tariff filing as being damaging to the export of low valued commodities, cited these same concerns to the Federal Maritime Commission staff, and recommended to certain export groups a strategy to follow in dealing with the problem. OT's prompt action contributed substantially toward pressuring the cartel to abolish their minimum on certain commodities, which also included cotton and forest products.

OT conducted a series of one-day export workshops in Guatemala, El Salvador, Honduras, and Belize as a part of an inter-departmental effort to inform host countries about regulations and other information that would assist in the marketing and transportation of agricultural products. Issues of greatest concern to the shippers included high ocean freight costs, lack of refrigerated ocean containers during peak season, availability of air cargo space and cold storage within the port area, and information about U.S. transport costs.

OT published and distributed a variety of reports dealing with current transportation developments affecting the marketing and distribution of agricultural products. The following three reports are published regularly on a user fee basis:

- The World Agricultural Report is a monthly report, focusing on key international transportation developments. It covers current events, research and technology, a report on grain rates, etc.

- The Grain Situation Report is a weekly report, covering developments affecting the internal movement of grain products and providing statistical information on rail, barge, and vessel loadings, etc.

- The Truck Cost Report is published monthly to provide fixed and variable costs of moving fleet and owner operated vehicles transporting fruits and vegetables.

Other reports published by OT were based upon completed research and survey efforts.

- OT's Export Handbook provides shippers with a brief but well-defined set of guidelines on product selection, packaging, storage, handling, and transporting of select agricultural products.

- A Middle East Port Survey of 13 container and grain handling ports located on the Red Sea, Arabian Gulf, and the Gulf of Oman was conducted and reported on behalf of USDA's Foreign Agricultural Service to increase exports into those areas.

- A report of the Ocean Freight Futures Market covers efforts by various grain exchanges to introduce an ocean freight futures contract and discusses the benefits that could accrue to agriculture from its existence.

4. Helped Access, Maintain, and Expand Markets for Agricultural Products

During the year OT worked cooperatively with a number of international groups to overcome transportation barriers in order to access, maintain, and expand markets. Specific examples of OT's efforts follow:

Mexico - Because of the unique problems encountered in exporting U.S. agricultural products to Mexico, OT has been designated to coordinate shipments of grain with the Mexican authorities. OT's activities involved expediting the inspections and customs clearances at the U.S.-Mexico border crossings and coordinating with other U.S. and Mexican agencies and with U.S. railroads and exporters. These efforts resulted in more efficient transportation of shipments. Three plenary meetings were held to report on progress and discuss policy changes affecting exports to Mexico.

China - In an effort to assist China with its modernization programs, OT invited a team of officials from China to visit the United States and tour transportation facilities. Intermodal concepts were of special interest to the Chinese. As a result of their tour, the Chinese invited officials from several U.S. transportation companies to go to China to discuss the possible purchase of U.S. rail and trailer equipment to help modernize China's interior transport capabilities.

U.S. Lumber Industry - A study was completed for USDA's Foreign Agricultural Service to collect basic transportation information on the export of oak logs and lumber and determine the present limitations of and possible improvements in the physical distribution system. The findings and final report are currently used by FAS and exporters as an aid in the expansion of oak logs and lumber to overseas markets.

U.S. Agribusiness - OT and USDA's Foreign Agricultural Service cosponsored two agribusiness conferences, one in Illinois and one in California, in cooperation with the Department of Commerce and two private firms to highlight the present and future transportation issues affecting agricultural exporters. In addition, OT discussed information developed in previous OT projects on transport-oriented export trading companies and the Shipping Act of 1984.

Caribbean Basin Initiative - OT has provided technical assistance to the members of the Caribbean Basin Initiative (CBI) through the following ways:

- OT participated in workshops and conferences held in New Orleans and Miami sponsored by the Agri-Business Promotion Council, Agency for International Development, and USDA in order to discuss the packaging, handling and transportation of perishables. Also covered was the role of OT in the CBI program and ways of providing technical assistance to CBI exporters.

- A presentation on the transportation of perishables was also given at an incountry workshop requested by the Government of Barbados.

- OT further played a key role in the U.S. Department of Transportation's CBI Transportation Working Group. The Working Group's role is to identify transportation problems, prescribe appropriate action, and initiate action whenever possible on issues which block the attainment of CBI objectives.

U.S. Live Animal Industry - OT played a key role in providing technical assistance to livestock exporters through research on ways of improving the handling of live animals and reducing undue stress. In addition, OT has representation on the Board of Directors of the Animal Air Transportation Association which provides a forum for discussing problems affecting the shipping industry and for educational purposes.

5. Helped Develop Improved Shipping Technologies

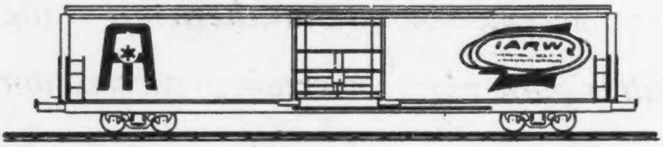
OT continued to work cooperatively with the private sector to develop improved and more efficient shipping technologies. Examples follow:

Rail Cattle Car - OT, in cooperation with Texas A&M and Iowa State Universities, the National Cattlemen's Association, livestock shippers and processors, major rail carriers and truckers, and a rail car manufacturing company, has been engaged over the past 4 years in a testing program of a prototype rail cattle car equipped with onboard feed and water facilities. The objectives of the tests were to determine the technological feasibility and to assess the relative costs and benefits of shipping feeder and slaughter cattle over long distances by truck versus the prototype rail cattle car. OT has now completed its research program on the rail car and is looking to industry to assume the responsibility for utilization.

Cryogenic Railcar - OT in cooperation with the American Frozen Food Institute and the International Association of Refrigerated Warehouses has been engaged in a laboratory and field testing program of CO_2 as a refrigerant alternative to the expensive and high maintenance requirements of a diesel fuel mechanical refrigerator car. The results of the laboratory tests led to the development by industry of a prototype car equipped with the CO_2 refrigeration system. Subsequent field tests of the car by OT personnel were highly successful.

Bees - OT researchers in cooperation with the bee industry and air carriers developed a new system for shipping bees which is far superior to the traditional wood/wire screen package from the standpoint of easier handling, less fragility, much less loss, and full acceptance by the air carriers which transport the bees. The development of the system has resulted in an annual saving to U.S beekeepers conservatively estimated at $4 million annually.

CRYOGENIC RAIL CAR PROJECT



Executive Summary Report

March 1985

FORWARD

"It must be remembered that there is nothing more difficult to plan, more uncertain of success, nor more dangerous to manage than the creation of a new order of things. For the initiator has the enmity of all who would profit by the preservation of the old institutions, and merely lukewarm defenders in those who would gain by the new ones."

NICCOLO MACHIAVELLI
(1469 - 1527)

AMERICAN FROZEN FOOD INSTITUTE

IARW
INTERNATIONAL ASSOCIATION OF REFRIGERATED WAREHOUSES

CRYOGENIC RAIL CAR PROJECT

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by

Ralph P. Hill – Lamb-Weston, Inc., Portland, Oregon

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by

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AMERICAN FROZEN FOOD INSTITUTE

I A R W.
INTERNATIONAL ASSOCIATION OF REFRIGERATED WAREHOUSES

CRYOGENIC RAIL CAR PROJECT

PART 1

PROJECT SUMMARY

The availability of mechanical refrigerator cars owned by the nation's railroads is one of the most critical issues facing the frozen food industry in the 1980's. The industry's dependence on mechanical refrigerator cars for long-haul movement will be compounded by the continuing escalation of diesel fuel prices which will preclude long-haul truck movement and make the industry even more dependent on the railroads.

This has been a high priority issue for the AFFI Distribution Council and Transportation Committee for the past three years. Unfortunately, because of energy costs, double digit inflation, and lack of capital availability in the railroad industry, the economic picture is dismal for any prospect of the railroads' expansion or replacement of their mechanical refrigerator fleet.

The project study described herein is under the direction of the AFFI/IARW Task Force for refrigerator rail car research and development to explore an alternative to the expensive and high maintenance requirements of a diesel fuel mechanical refrigerator car. The task force's objective is to identify and research viable opportunities in alternate refrigeration applications by use of CO_2 as refrigerant for frozen food shipments in larger cube, heavier insulated boxcars.

PROFILE OF FROZEN FOOD RAIL TRANSPORTATION

The frozen food industry's major rail traffic flow is from the western states of Washington, Oregon, California, Idaho, and Utah with transcontinental movement to midwest, eastern, and southern destinations. There is a limited westbound rail movement of juice concentrates from Florida to west coast destinations.

Annually, nearly 60,000 mechanical refrigerator carloads originate from these five western states representing an excess of six billion pounds of frozen food. These transcontinental rail shipments consist of frozen fruits, potatoes, and vegetables representing nearly 50% of the national consumption of frozen food.

Shrinking capital availability for both rail and truck vehicles, inflation and continued increases in diesel fuel costs have increased the dependence of western processors on the railroads to move frozen food tonnage to distant transcontinental markets.

This dependence on the railroads is increasing as the factors identified above become more critical. Energy cost and availability will be the critical issue with the railroads being four times more energy efficient than the trucks. (See Figure 1)

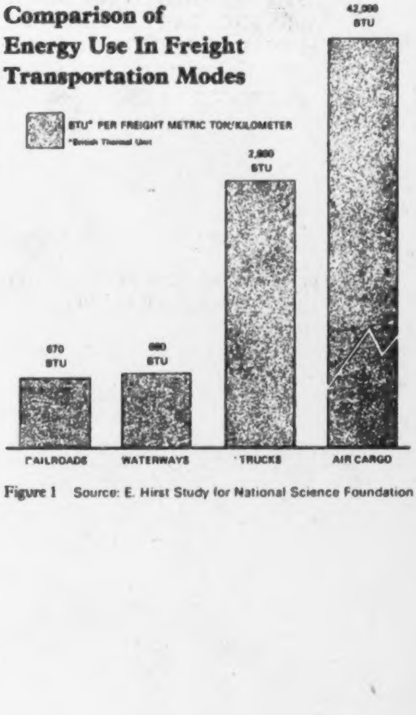

Figure 1 Source: E. Hirst Study for National Science Foundation

DESCRIPTION OF EXISTING RAIL MECHANICAL REFRIGERATOR CAR FLEET

The mechanical refrigerator cars currently utilized by the frozen food industry today were built during the period 1964 through 1973 as a replacement of the ice bunker car. With the decline of fresh produce movement by rail and escalating fuel and equipment costs, the railroads terminated car building programs with the last major group of cars being built in 1973.

The life of a mechanical refrigerator car is twenty years before replacement or major rebuilding is required. The current average age of the total railroad fleet is nineteen years with the higher maintenance part of the car life in the years ahead.

The current replacement cost for a mechanical car is $125,000. Frozen food revenue including basic freight and refrigeration charges in the existing cube mechanical car produces a negative rate of return for the railroads. Consequently, the railroads' priorities for other equipment, such as unit coal train cars and grain cars precludes any building of mechanical refrigerator cars. The western railroads have been candid with the frozen food industry in communicating the economic disadvantage of the mechanical refrigerator car and their position on not rebuilding or replacing cars.

Figure 3 contains the car supply and industry demand for the twenty-five year period from 1965 projected to 1990 showing mechanical refrigerator car availability. This graph dramatizes the magnitude and impact of this issue to the frozen food industry in the 1980's. At the beginning of 1985 car supply has decreased to a level of approximately 12,000 active cars available to the frozen food industry. This represents over a 50% decrease in total cars since 1973.

The task force is sponsored by American Frozen Food Institute in conjunction with the International Association of Refrigerated Warehouses and its Refrigeration Research Foundation, with resource involvement by the Burlington Northern Railroad and the United States Department of Agriculture.

Mechanical Refrigerator Car Cutaway Illustration

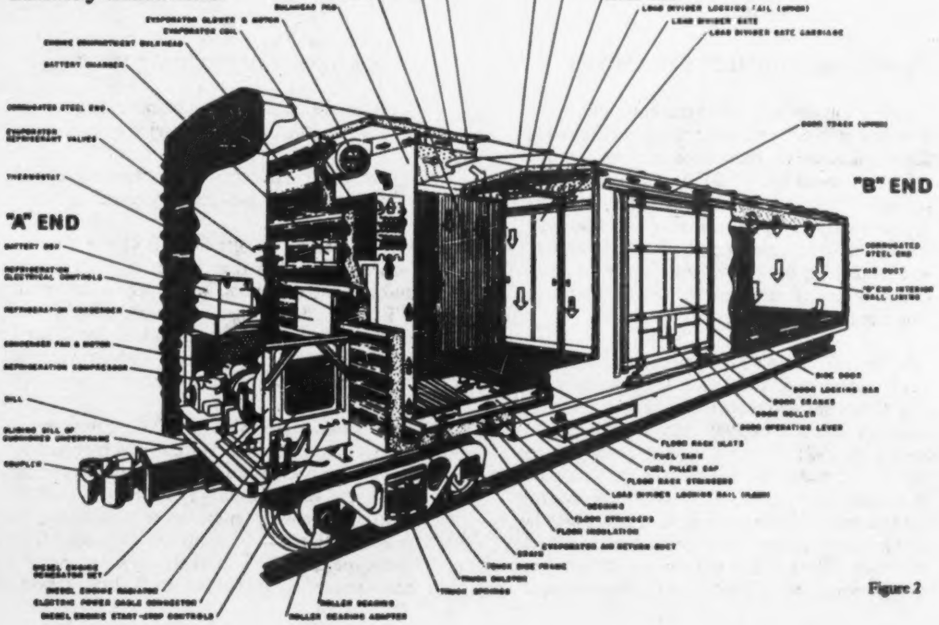

Figure 2

Mechanical Refrigerator Car Supply

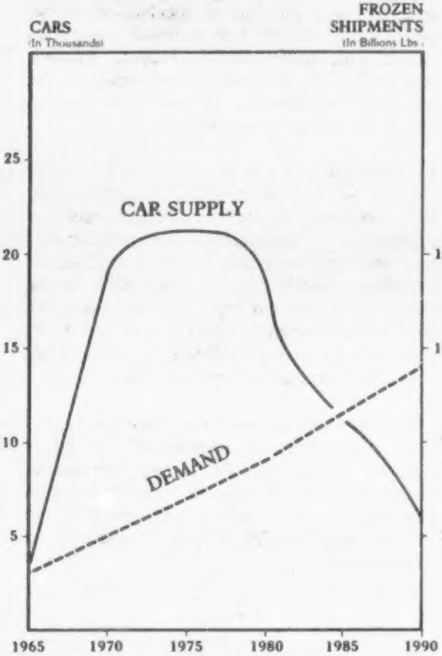

Figure 3

BFNE 3 RESEARCH SUMMARY

Cooperation and a positive commitment by the Burlington Northern Railroad has resulted in the dedication of their modified mechanical refrigerator test car BNFE 3 to be used in this project. The Burlington Northern has spent approximately $10,000 equipping this car with special temperature monitoring instruments and modifying the car for application of alternate cryogenic refrigerant for research and test shipments.

The test rail car BNFE was modified for cryogenic refrigeration in June 1980 with seven shipments of various frozen commodities in the summer and fall of 1980 and the winter and spring of 1981. These test shipments were conducted under the direction of the task force chairman with in transit monitoring by the USDA and the Refrigeration Research Foundation in cooperation with the Burlington Northern Railroad. The purpose of these initial tests was to determine the feasibility of CO_2 as an alternate refrigeration system to the diesel fuel mechanical powered freon refrigeration systems on current cars in use. These test shipments were precooled at origin under test conditions with the application of eleven to twenty thousand pounds of CO_2 depending on month shipped and outside temperatures. The test refrigerator car BNFE 3 was also equipped with mechanical refrigeration for back-up ability throughout the transit test procedure to insure protection. The utilization of CO_2 as an alternate refrigeration system in the test period was successful and required no back-up mechanical refrigeration. Complete test reports are available through the task force from the USDA.

With the collection and evaluation of test data from the BNFE 3 test shipments, it was concluded that the cryogenic refrigeration concept warrants further testing with the construction and utilization of a larger cube insulated rail car with an onboard CO_2 temperature control system with no mechanical or electric parts thus eliminating costly mechanical diesel powered refrigeration.

PROJECT OBJECTIVE

The purpose of testing the CO_2 system equipped 60 ft. insulated car with no mechanical unit will be to:

- Achieve a 25% greater load/revenue factor and a higher cube insulated 60 ft. car.
- Eliminate costly mechanical refrigeration maintenance and diesel fuel consumption.
- Contain or reduce the cost of future railroad refrigerator car building programs.

With successful results from BNFE 3 Transit Test, the research task force proceeded with funding from the processor/shipper members of AFFI, the cold storage warehouse members of IARW, and the western railroads to construct a 60 ft. insulated refrigerator car with an onboard CO_2 supplied temperature control system.

Final design of the insulated 60 ft. prototype car and CO_2 refrigeration system was planned by the task force. Construction of the prototype car was completed in January 1983. Total cost of the prototype car with temperature monitoring instrumentation will be approximately $300,000. Prototype car AFFX 2001 description and test summary are contained in Part 2 of this report.

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CRYOGENIC RAIL CAR PROJECT

PART 2

AFFX 2001 –
PROTOTYPE CAR DESIGN

Construction of the prototype car AFFX 2001 was completed in January 1983. The car is equipped with a liquid carbon dioxide refrigeration tank system. The system stores liquid carbon dioxide under pressure at zero degrees Fahrenheit in a series of interconnected aluminum storage tanks placed lengthwise to the car beneath the car's aluminum floor. The tank system not only provides in transit storage for liquid carbon dioxide, but also acts as a barrier to heat entering the car and functions as a giant cold plate to keep the load frozen.

An initial blanket of carbon dioxide snow is deposited in the air on top and around the load prior to departure from the loading warehouse. While in transit, the load receives additional charges of snow triggered by a thermostatically controlled temperature sensor in the ceiling of the car above the air and load. Operation of the

Prototype Cryogenic Rail Car

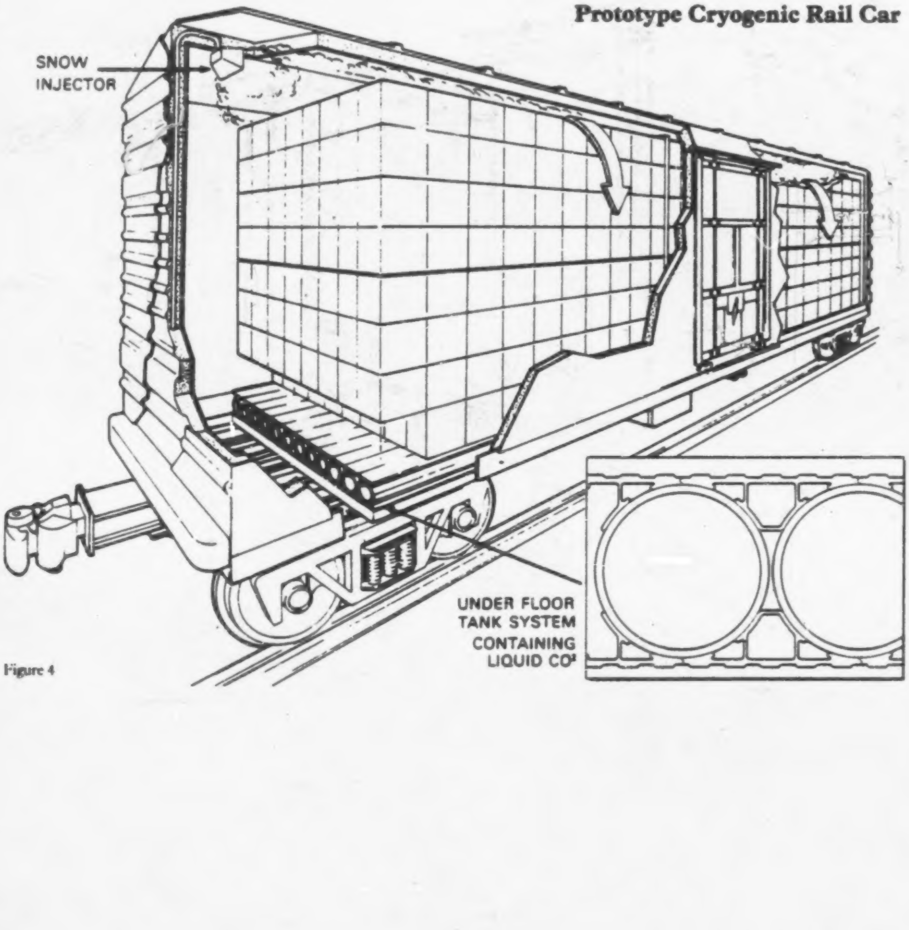

Figure 4

refrigeration system requires only pneumatic power provided by the pressure of the liquid carbon dioxide. No electrical nor diesel power is needed. The prototype car is the largest and best insulated refrigerator car ever built. The car utilizes state of the art compressed polyurethane foam in place insulation placed behind interior fiberglass roof and wall panels with specially designed deep corregated channels to allow the free flow of carbon monoxide gas over and around the load of frozen food. The exterior of the car is painted with a high gloss reflective acrylic white paint specially formulized to maximize reflection of radiant heat from the sun to provide an exterior surface that can easily be cleaned.

The prototype car has a capacity of 4,904 cubic feet, compared with the 4,050 cubic feet capacity of existing mechanical cars. The overall exterior length of the car is nearly 65 feet. The interior length is 58 feet. (See Figure 4)

AFFX 2002 - 2003 CAR DESIGN

As a separate phase of the cryogenic rail car research, Burlington Northern Railroad has modified two existing large cube mechanical refrigerator cars with the Rubin Carbonaire Plate CO_2 Snow Bunker System. These cars are equipped with a snow bunker which consists of a sheet metal chamber across the interior ceiling of the car. Liquid CO_2 is charged under pressure to supply lines accessible from either side of the A end (end opposite the brake wheel end) to the overhead bunker. As the liquid CO_2 is charged into the non-pressurized atmosphere in the bunker, it converts to snow which accumulates in the bunker under the entire ceiling of the car. The under surface of the bunker, which is the interior ceiling of the car, is insulated to control the sublimation (melting) of the snow and prevents extreme cold air from reaching the product in the car. As the CO_2 sublimates, the cold air drops down the side walls and around the load. (CO_2 is 52% heavier than air.) Tests in these cars were confined to points on the Burlington Northern Railroad and monitored under similar procedures as the prototype car. (See Figure 5)

Carbonaire Snow Bunker Car

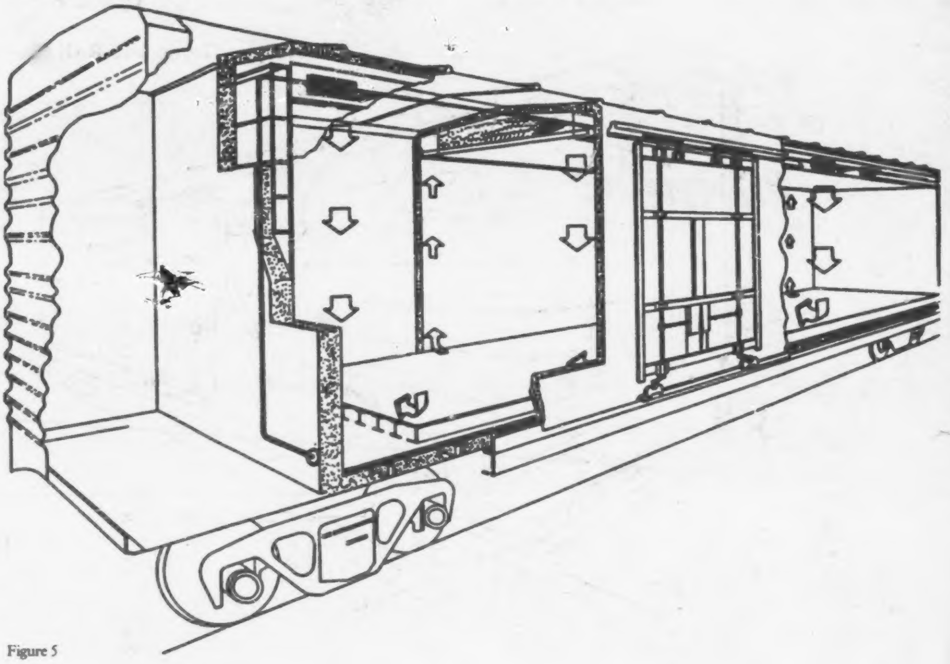

Figure 5

AFFCAR ESTABLISHED TO DIRECT RESEARCH

Construction of the prototype car was funded through voluntary contributions from frozen food processors, public cold storages, interested railroads that move frozen food and cryogenic refrigerant suppliers. The car is owned and administered by AFFCAR, Inc., a separate nonprofit shippers association that was organized for the research project and whose membership is comprised of contributing processor-shipper members. At the direction of AFFCAR, Inc., the car has been equipped with an extensive array of test instruments stored in separate compartments to monitor CO_2 pressure and air and product temperatures in the car.

AFFX 2001 – IN TRANSIT TEST PROCEDURE

During the years 1983 and 1984 a total of 14 key test shipments were monitored by AFFCAR, with resource assistance from the USDA Office of Transportation and David Garside, CO_2 refrigeration consultant. A list of key in transit tests, processor-shippers, commodities, origins and destinations is shown in Figure 6.

Each key test shipment has been coordinated by AFFCAR with resource assistance from the USDA and/or Garside Refrigeration to develop a specific test plan and procedure for each movement. The car builder, FGE Cars and the refrigeration system builder, Concool, Inc. were apprised of the testing procedure and invited to observe actual in transit tests of the car.

Prior to each test shipment a specific product research and evaluation plan was coordinated with each individual processor-shipper. Research plans varied by commodity and processor throughout the test series of the prototype car in 1983 and 1984.

The quality assurance and transportation personnel of each processor were notified as to the research test plan and the temperature procedures were defined along with quality evaluations and instructions prior to loading of the car, and at destination upon unloading of the car. On certain shipments, packaging engineers were involved in addition to the quality assurance and transportation people to observe and evaluate the material handling case configuration and case strength and condition at origin and destination.

PROCESSOR-SHIPPER	PRODUCT	ORIGIN	DESTINATION	MONTH/YEAR
Lamb-Weston	Frozen Potatoes	Connell, WA	Haines City, FL	February 1983
Coca Cola Co.	Frozen Orange Juice	Auburndale, FL	Anaheim, CA	February 1983
Dalgety Foods	Frozen Vegetables	Wenatchee, WA	Kansas City, MO	July 1983
Carnation Co.	Frozen Potatoes	Moses Lake, WA	Murfreesboro, TN	August 1983
Ore-Ida Foods	Frozen Potatoes	Burley, ID	Plover, WI	September 1983
Pillsbury Co. (Green Giant)	Frozen Veg. & Pizzas	Belvidere, IL	Watsonville, CA	October 1983
United Foods	Frozen Vegetables	Modesto, CA	Rossville, TN	October 1983
Lamb-Weston	Frozen Potatoes	American Falls, ID	Lemont, IL	April 1984
General Foods	Frozen Corn	Waseca, MN	Modesto, CA	April 1984
Pillsbury Co. (Green Giant)	Frozen Vegetables	Watsonville, CA	Belvidere, IL	May 1984
J.R. Simplot Co.	Frozen Potatoes	Hermiston, OR	Manassas, VA	June 1984
Stouffer Foods	Frozen Prepared Foods	Solon, OH	Portland, OR	July 1984
National Fruit Canning Co.	Frozen Vegetables	Albany, OR	Garden City, NY	August 1984
National Sea Products	Frozen Fish	Lunenberg, Nova Scotia	Vancouver, B. C.	October 1984

Figure 6

Cryogenic Railcar Temperature Data — Loading, In Transit and Unloading

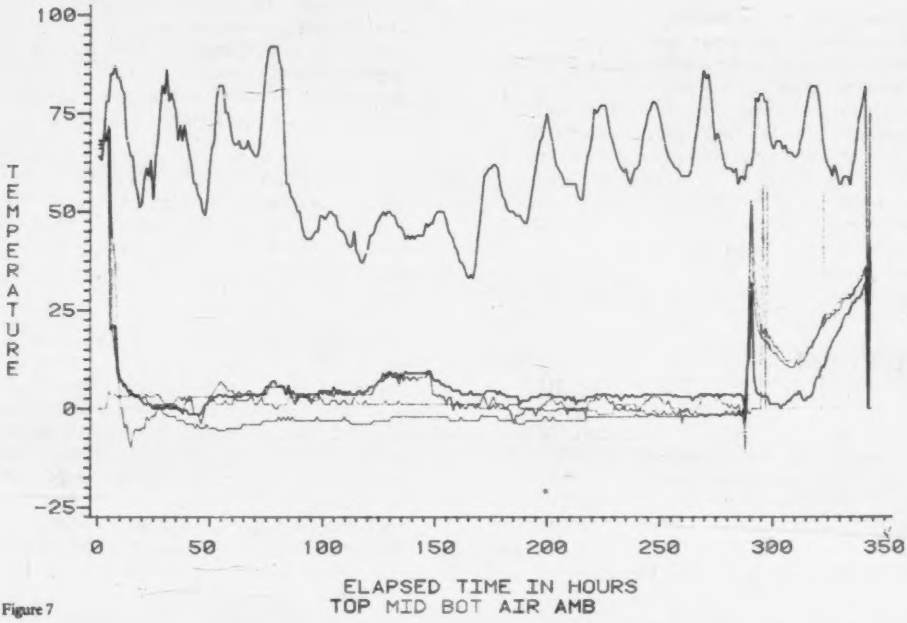

Figure 7

A temperature schematic was prepared for each shipment diagramming individual temperature probe locations throughout the product and cases in the car and ambient temperatures en route. Thirty temperature probes were installed during the course of loading at origin from a central control storage locker area underneath the car. The temperature data was collected on continuously recorded tapes in the instrument control area during loading, in transit for up to 15 days and during the course of unloading at destination. Temperatures were then plotted and recorded by the USDA in Beltsville, Maryland, as shown in the diagram in Figure 7.

Each test shipment was monitored in transit with physical temperature readouts, pressure gauges and inspection of the car doors and seals approximately every 500 miles, to insure proper operation of the CO_2 systems. On six of the test shipments, AFFCAR, USDA and Garside Refrigeration personnel accompanied the shipments with railroad representatives in railroad business-office cars coupled to the test car from origin to destination. Specific temperature reports were made available by the USDA for each test shipment and depending on the processor-shipper, shipment was evaluated by processor quality assurance personnel at origin and destination with photographs and condition outturn reports. Much of this data has been retained by individual processor-shippers along with the temperature monitoring reports.

The usage of CO_2 and cost of the same were monitored by AFFCAR and Garside Refrigeration to evaluate the economic comparison and refrigeration demand of CO_2 versus mechanical refrigeration during various ambient temperature exposures in the four seasons of the year over several trans-continental rail routes.

TEST RESULTS AND CONCLUSIONS

The unanimous consensus from commentary and feedback of processors, public warehouse operators and railroads on the entire test series in 1983 and 1984 consistently revealed that the CO_2 expendable refrigerant system on the prototype car delivered superior quality and product condition of frozen products at destination.

Specifically, consistent temperature control and design attributes of the prototype cryogenic rail cars were rated superior to the mechanical car in every comparison. Specific categories of evaluations are as follows:

Material Handling
Warehouse operators and loading crews praised the car for the superiority of the aluminum floor, the absence of inefficient floor racks and load divider doors and the spacious cube, allowing greater productivity in man hour loading and unloading of the car and a 20% greater load factor.

Uniform Frozen Temperatures
Product temperatures of zero degrees or lower were maintained consistently throughout the shipments from origin to destination in each of the cryogenic rail car tests. Comparison of product temperatures in mechanical refrigerator cars indicated variations in air temperature surrounding the interior load in the car of up to 15° occurring in cycles of approximately 12 hours, depending on the defrost cycle of the unit and the ambient temperatures. When a mechanical refrigerator car defrosts, the refrigeration is automatically shut off and dampers restrict airflow into the lading compartment with heat coming on to defrost the coils. This causes a gradual buildup of air temperature around the load which causes continual temperature elevations within each 12 hour period or less when outside temperature is above 70° Fahrenheit.

Uniform Product Quality
Consistent product quality was evidenced in key test shipments with repeated testimony of better quality color, texture and taste with less frost buildup on the tests in the cryogenic rail car versus arrival condition in mechanical refrigerator cars.

Improved Packaging Condition
Destination inspections revealed superior packaging appearance and condition with no incidents of case breakdown to moisture or frost buildup, which is prevalent with shipments in the aging mechanical refrigerator cars.

Refrigeration Productivity
CO_2, being an expendable refrigerant, is only needed as temperature demand requires based on ambient temperatures through the four seasons of the year. Mechanical refrigeration is required at all temperatures with continuous running of the diesel electric unit, winter or summer. Primary data from the testing series and AFFX 2001 reveals that CO_2 refrigeration is conservatively one-third less expensive on an annualized basis than mechanical refrigeration. Processor-shippers pay an average of $600 per trip additional charge for mechanical protective service, regardless of ambient temperatures. Conversely, CO_2 is only used as demanded by ambient temperatures and consequently is a fractional cost of mechanical refrigeration in the colder half of the year. During the year 1980, it was estimated that frozen food shippers expended $18-20 million in additional freight expense for mechanical refrigeration charges. Initial conclusions from the cryogenic rail car test indicated that this expense could be reduced considerably by at least one-third through the use of expendable CO_2.

Freight Savings
With the increased cubic capacity of AFFX 2001, the payload factor increased by 20% on the key test shipments. This equates to a representative freight savings advantage of $1,000 per carload shipment of frozen foods in the cryogenic rail car. This reduced freight cost can offset the dollar investment in new rail cars, whether owned by the shippers or the railroads.

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CRYOGENIC RAIL CAR PROJECT

PART 3

POTENTIAL FOR FOOD PRODUCT AND PACKAGING DAMAGE DURING RAIL TRANSPORT AT CRYOGENIC TEMPERATURES

During the inital test shipments in 1980-81 to determine the feasibility of using CO_2 snow for refrigerating rail car loads of frozen foods, temperatures as low as -90°F were reached in food products in the top layers directly under the snow. Users of the cryogenic rail car were highly concerned about potential damage to their products and packaging from transport vibration and shock at the supercool temperatures. A major concern was the susceptibility of the product or packaging films to fracturing. As a part of their support of the cryogenic rail car research project, the USDA's Office of Transportation (OT) decided to conduct a series of tests to assess the potential for product and packaging damage to commercially packed frozen food during rail transport at cryogenic temperatures.

TEST PROCEDURE

The OT has a packaging laboratory at the USDA's Beltsville Agriculture Research Center in Beltsville, Maryland, with specialized equipment for simulating transport shock and vibration. Commercial food processors and equipment manufacturers cooperating on the cryogenic rail car project furnished food products and freezing equipment for test purposes. An experimental design was developed that would subject each of six types of frozen food products to a sequence of abusive treatments. (Figure 8)

Experimental design and treatment sequences used to simulate transport and handling of frozen food products shipped by railway

TEMPERATURE TREATMENT (°F)	TRANSPORT AND HANDLING TREATMENTS	SHIPPING CASES*	TREATMENT CODE AND SEQUENCE
-90	Incline-impact, vibrate and drop once on bottom and once on edge	6	C-I-V-D
-90	Incline-impact, and vibrate	6	C-I-V
0	Incline-impact, vibrate and drop once on bottom and once on edge	6	I-V-D
0	Incline-impact, and vibrate	6	I-V
0	None	6	Control

Figure 8 *minimum number

The test treatments included cryogenic freezing to -90°F, an incline/impact ("I") treatment to simulate rail car coupling shock, vibration ("V") on an electrohydraulic table to simulate over-the-road vibration, and dropping ("D") to simulate manhandling. At least 30 cases of each of the following frozen food products were tested: broccoli in butter sauce, chicken a la king, chocolate mellorine soft-serve dessert, french bread pizza, french fried potatoes, and lemon meringue pie. After the products were subjected to the various test treatments, they were tempered at 0°F for at least one week and then subjected to various objective and sensory quality tests to determine the amount of quality losses. At this time, the packaging materials also were examined for physical damage such as deformation and film fracturing.

RESULTS

Products and packaging materials subjected to simulated transport shock and vibration and manhandling treatments at cryogenic temperatures did not incur significantly more breakage than products treated at 0°F. The drop or manhandling treatment caused significant increases in damage regardless of whether the products were at cryogenic or noncryogenic temperatures. Broken french-fried potatoes, dislodged pizza toppings, and cracked pie crust edges were the only measurable product damage found. The data in Figures 9 and 10 show that dropping was the primary cause of damage. Those data also indicate that the products are slightly more fragile and their susceptibility to manhandling damage is increased at cryogenic temperatures. The consumer type sensory panelists could not detect any differences between cryogenically and noncryogenically frozen products for such factors as appearance, color, texture, taste and mouth feel.

For the most part, there was too little packaging damage for meaningful analyses. Only four leakers were found out of 200 cookable plastic film pouches examined. (Figure 11) Leakers only occurred in the cryogenically frozen pouches, but occurrence rate was not significantly greater than in the noncryogenically frozen pouches. Shipping container damage was confined primarily to deformation which resulted mostly from the drop treatment. The french-fried potato boxes were only the shipping containers having enough damage to be considered commercially important. The potato boxes suffered some loss of stacking strength from vibration which caused settling and development of headspace. Dropping the potato boxes increased the amount of deformation and decreased the stacking strength significantly over boxes not dropped. There were no other problems, such as glue or seal failures, that could be attributed to the cryogenic shipping temperatures.

Nontransport related, but of general interest, frozen to cryogenic temperatures were found significantly more tender by shear press measurements. Also, the meringue depth on cryogenically frozen lemon meringue pies was significantly reduced by about 10 percent. Neither of these factors were detected by the consumer type sensory panelists, but should be taken into account in freezing operations.

CONCLUSIONS

On the basis of these tests, it was concluded that there is little, if any, chance of significant increases in food product or packaging damage as a result of railway transport at cryogenic temperatures. There was some indication, that french-fried potatoes and plastic cookable pouches are slightly more fragile at cryogenic temperatures. Therefore, caution needs to be taken that these products are shipped in tightly braced loads and not excessively abused if shipped or handled at cryogenic temperatures.

Figure 9

Length range as an indicator of french fried potato breakage resulting from various freezing and simulated rail transport conditions

TREATMENT CODE AND SEQUENCE*	3 INCHES	RANK**	2 INCHES	RANK**
C-I-V-D	31.6	5	73.8	4
C-I-V	37.4	3	79.2	3
I-V-D	31.7	4	71.5	5
I-V	40.1	2	82.1	2
Control	43.2	1	82.3	1

*C = Cryogenic freezing to -90°F, I = Incline/impact treatment, V = Vibration treatment, D = Drop treatment, Control = No treatment

**Rank 1 = Highest, Rank 5 = Lowest

Figure 10

Mean weight (g) of loose pizza toppings and length (mm) of pie crust edge cracks per consumer package for the indicated treatment*

	TREATMENT				
ITEM	CONTROL	I-V	I-V-D	C-I-V	C-I-V-D
Pizza toppings (g) **	2.5_b	2.4_b	2.9_b	1.2_a	4.4_c
Pie crust cracks (mm) ***	22.0_b	13.8_a	13.4_a	5.6_a	24.6_b

*Means in each row followed by the same subscript are not significantly different at the P>0.05 level.

**Each value is the mean of 14 packages.

***Each value is the mean of 12 pies.

Figure 11

Leakers found in plastic film boilable pouches by product and test treatment

	TREATMENT SEQUENCE*			
PRODUCT	C-I-V-D	C-I-V	I-V-D	I-V
Broccoli**	2	1	0	0
Chicken a la king***	0	1	0	0
Pizza****	0	0	0	0

*No significant difference between treatments at P>0.05 in paired comparison tests.

**Twelve consumer packages tested for each treatment.

**Twenty-four consumer packages tested for each treatment.

**Fourteen consumer pouches tested for each treatment.

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A FIBERBOARD TUBE PACKAGE FOR SHIPPING BEES

By B. H. Ashby 1/, D. A. Knox, 2/, W. A. Bailey 3/
W. L. Craig, Jr. 4/, and K. B. Ortlesky 5/

United States Depaartment of Agriculture (USDA) scientists and engineers have developed a fiberboard tube system for shipping package bees. The tube system evolved over a period of 5 years with substantial industry involvement, including a 3-year cooperative agreement with Bee World, Inc., Mesa, AZ, and cooperation of the State of Alaska Division of Agriculture.

The work on the tube package system began as an outgrowth of work on studies to determine the ventilation capacity of passenger aircraft cargo bays for bees. Results of this work were reported by Ashby, et. al, in the June 1982 issue of the American Bee Journal. Refusal of many airline carriers to transport bees packaged in the traditional wood/wirescreen cages was a main factor spurring the development of an alternative packaging system.

1/ Agricultural marketing specialist, Export Services Branch, Office of Transportation (OT), U.S. Department of Agriculture (USDA), 1405 Auditors Building, Washington, D.C. 20250.

2/ Entomologist, Beneficial Insects Laboratory, Agricultural Research Service, USDA, Beltsville, MD 20705.

3/ Agricultural engineer (retired), OT, USDA, 1405 Auditors Building, Washington, D.C. 20250.

4/ Engineering technician, Export Services Branch, OT, USDA, 1405 Auditors Building, Washington, D.C. 20250.

5/ President, Bee World, Inc., Mesa, AZ 85202.

The wood/wirescreen cage worked well when bees were carried in Railway Express or postal railcars. With the demise of the Railway Express and rail carriage of mail in the early 1970's, the cages and bees have not fared well in poorly ventilated mail trucks and aircraft cargo bays. Either the bees suffocate or are released when rough handling results in the cages being broken open. Often, an insecticide is sprayed on the loose bees which results in killing all bees in the shipment. One of the more notorious incidents occurred several years ago when a cage of bees was punctured on a mail truck in the Lincoln Tunnel in New York City stopping up traffic for several hours. It is understandable that airline companies cannot afford having aircraft tied up on the ground because of loose bees in the cargo bays.

We have accompanied and observed numerous shipments of bees packaged in the wire cages. Invariably, the sight of the bees incites some cargo handlers to treat the bees roughly. Cargo handlers cannot be expected to have the same sensitivity to the needs of the bees as beekeepers. Therefore, human psychological factors are a major consideration in design of bee containers that are going to be shipped by common carrier.

The leaking of sugar water feeders presents another major problem when shipping package bees, especially by air. The sugar water mostly is packed at near sea levels and depends on vacuum to hold it in the cans. Aircraft cargo bays usually are pressurized at lower than sea level pressure. Thus, the liquid sugar is released faster than the bees can consume it, and the surplus ends up on the floor and baggage.

With this background, it was decided to develop a packaging system for shipping bees with the following criteria: (1) Strength to reasonably withstand intermodal shipment and cargo handling, (2) cost competitiveness with the wood/wirescreen cages, and (3) contain a leakproof feeding system.

Components

Major components of the tube package system for bees consist of: (1) A fiberboard tube enclosure, (2) ventilated end plugs, (3) a hardware cloth insert, and (4) a food system dispensed out of a discarded beverage can. (see figs. 1-3). The tube with end plugs provides a package with exceptional strength for it's size. Not once during numerous trial shipments by air freight, truck, or mail has a tube been damaged enough to release bees. However, wood/wirescreen cages accompanying tube packages on the same shipment have been punctured.

A plastic end plug was designed and a prototype molded for testing. This plug, for which a patent has been applied, features 1-in (2.5 cm) fins to prevent ventilation blockage when other cargo is stacked against the packages of bees or when the package is set upright (see fig.3). The plug also features a 1/4-in-thick (0.6 cm) molded screen floor which prevents bees from stinging cargo handlers through the screen. The plugs should be molded with polyethylene plastic, as this type plastic is not brittle and does not shatter when staples are used to attach the plug to the tube.

A metal ring plug and a piece of screen wire may be substituted for the plastic plug as shown in fig. 1. Metal strapping should be spot welded accross the opening to the outside rim of the ring to provide extra protection against puncturing the screen. Extra care needs to be taken so that ventilation is not blocked when end plugs without fins are used.

A hardware cloth insert bent into a Z shape is used for the bees to cling to and to gain surface area to spread out and ventilate. In heat stress tests with bees in plexiglass tubes, we observed the bees line up in one direction on the insert and fan toward one end of the tube. The insert is a critical component in ventilation. The ventilation capability of the bees is more dependent on the surface area of the insert than the amount of open space in the end plugs. The insert also, prevents the bees from balling up and smothering each other. One-half-inch square (1.3 cm^2) mesh wire is recommended for the insert. The queen cage and a can of food also are attached to the insert. It is recommended that these be attached at the center of the insert as opposed to the ends to protect the queen from extremes of heat or cold (see fig. 2).

The food system settled on is an agar/sugar water jell which is the same diet fed the bees that spent a week aboard the space shuttle in 1984. Agar, which is of Chinese origin, has been used for centuries. It is used as a medium for growing bacteria cultures and is readily available from laboratory supply companies. A jell of Super-Slurper® (a starch derivative) was tested early in our program, but this began to crust after a period of 1 day, and the bees apparently were not able to extract enough food or water for survival.

The recipe for the agar/sugar diet is in table 1. The warm solution is poured into empty beverage cans and jells upon cooling. The can then is attached to the wire mesh insert with wire ties. The bees enter the can through the pop-top hole and eat the jell. A 12-oz (0.36-l) can usually is sufficient for a 2 to 3-day journey. For longer periods, a 16-oz (0.47-l) can should be used. The jell should be kept refrigerated until just prior to packaging the bees.

Advantages of the System

During the testing and development of the tube system, more than 150 tubes of bees were shipped by air, truck, and through the mail. Most of the shipments were by air freight from Arizona to points in Alaska and Canada. During these test shipments, no tubes incurred damage sufficient to release bees. The tubes may be strapped in compact bundles, easily handled by one or two persons. At least five tubes per bundle are preferred to prevent throwing by cargo handlers.

The bees are not readily visible in the tubes, and the old adage "out of sight, out of mind" seems to apply. Thus, the usual adverse comments and reactions by cargo handlers are reduced, if not totally avoided. In turn, the bees seem to travel better in the dark and more secluded environment. Most receivers reported that the bees in the tubes arrived less agitated and more manageable than those in the screen cages.

One of the foremost advantages of the tube system is ease and speed of hiving. First an end plug is loosened, and the tube held upright and tapped firmly against the ground to dislodge the bees from the insert. The insert is removed, and the plug set back on the tube. The queen cage is removed from the insert and positioned in the frames of the new hive. The end plug is removed, and the tube of bees inverted over the open hive frames. One firm shake is usually enough to empty the tube (see fig. 4). Very few bees, if any, are injured compared to shaking the bees through the small hole in the top of the standard wood/wirescreen cages. Plus, the bees are not nearly as agitated. Every beekeeper that has received the tubes has commented on the ease of hiving once they get the hang of the new system.

Table 2 shows the projected cost of the tube system. According to several package bee producers, this cost is competitive with the wood/wirescreen cage. The cost projection assumes a volume demand for the plastic end plugs which require a production die costing approximately $14,000.

Specifications

Based on commercial test shipments and laboratory heat stress tests, the following specifications are recommended for components of the tube system:

(1) The fiberboard tube should be 3/16-in (0.5-cm) thick for most applications.

(2) The overall dimensions of the tubes should be 8-in (20.3-cm) inside (D) by 16-in (40.6-cm) (L) for a 3-lb (1.4-kg) pack of bees and 8-in (20.3-cm) inside (D) by 14-in (35.6-cm) (L) for a 2-lb (0.9-kg) pack. Note: (1) The trade practice is to overpack 1/2-lb (0.23-kg) for a 3-lb (1.4-kg) package and 1/4-lb (0.11-kg) for a 2-lb (0.9-kg) package to account for in-transit shrinkage. (2) A 6-in (D) x 20-in (L) (15 x 51-cm)

tube was tested and found marginally acceptable for a 2-lb (1-kg) pack. This size container is not recommended where handling and shipping temperatures exceed 85°F (29°C) for any extended period.

(3) The molded end plugs should be made of polyethylene plastic so as to not split when attached to the tubes with wire staples. Three staples are sufficient to hold an end plug on during shipment.

(4) The end plugs should be molded with antiroll tabs, equipped with fins extended at least 1-in (2.5-cm) to prevent air blockage.

(5) The floor of the plug should be at least 1/4-in (0.6-cm) thick, ventilation holes should not exceed 1/8-in (0.3-cm) square or round, and the number of holes should be maximized to assure adequate ventilation.

(6) The Z-shaped wire mesh inserts should be of heavy enough gauge wire to remain rigid and have 1/2- to 3/4-in (1.3- to 1.9-cm) square or round openings. The surface area of the insert should be at least twice the cross section area of the tube, ie. (2 x length x diameter).

Table 3 shows the cubic interior space of each size tube, compared to the wood/wirescreen cages. The end plugs take up one-in (2.5-cm) at each end of the tubes. Therefore, the cubic load space calculations are based on the overall tube length minus 2-in (5.1-cm).

General Precautions

When packing and shipping bees in the tube containers, precaution should be taken to keep the bees out of direct sunlight and in shaded and well ventilated areas. It is desirable to water the bees just prior to shipment by spraying a mist of water in the ends of the tubes. Precautions also should be taken not to stow other cargo around the bees and block ventilation. Airline baggage personnel have a tendency to throw garment bags on top of bee containers. All loose bees should be removed from the exterior of the tubes prior to delivery to the air freight terminal.

Additional information on tube containers for bees may be obtained by contacting: Hunt Ashby, USDA-OT, Room 1405, Auditors Bldg., Wash., DC 20250, phone: 202/447-6235; or David Knox, USDA-ARS, Beneficial Insects Laboratory, Bldg. 476, Beltsville, MD 20705, phone: 301/344-2205.

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Acknowledgement is due the following persons or companies for their assistance in evaluating the tube system for shipping bees:

Allens Bee Ranch, Redding, CA; Badger Plug Co., Appleton, WI; Bee World, Inc., Mesa, AZ; Dr. Robert Berthold, Delaware Valley College, Doylestown, PA; CQ-AP Enterprises, Anchorage, AK; Dr. Basil Fugala, Dept. of Entomology, Univ. of Minnesota, St. Paul, MN; John Cramer, Alaska Division of Agriculture, Palmer, AK; Hives and Honey, North Pole, AK; Park's Apiaries, Palo Cedro, CA; and York Bee Co., Jessup, GA.

Table 1.--Recipe for agar/sugar jell bee diet

Agar	0.35 oz	(10 g)
Sucrose (granulated sugar)	6 cups	(1.4 l)
Water (cold)	7 cups	(1.66 l)

Directions: Combine ingredients in a kettle and bring to a boil while stirring. Boil 1 minute or until the solution clears. Pour in beverage cans and let solidify before refigerating.

Table 2.--Projcted cost of components of the fiberboard tube bee package

Item	Cost
Fiberboard tube (14-in (L) x 8-in (D))	$1.55 1/
Plastic end plugs (2 @ 22 cents each)	.44 2/
1/2-in^2 mesh hardware cloth insert	.70 1/
	Total = $2.69

1/ Based on a small order purchase, these should cost less for a large volume order.

2/ Assuming a volume production run.

Table 3.--Comparative cubic space in fiberboard tubes and wood/wirescreen packages for bees

Package size and capacity	Inside dimensions	Cubic load space
	in	in^3
3-lb pack		
Wire cage	13 (L) x 9.25 (H) x 5.5 (W)	661
Fiberboard tube	14 (L) x 8 (D)	703
2-lb pack		
Wire cage	13 (L) x 8 (H) x 4.5 (W)	468
Fiberboard tube	12 (L) x 8 (D)	603

Captions

Fig. 1.--Fiberboard tubes of bees bundled for shipment. The small diameter tubes on the top have a molded plastic end plug and the large diameter tubes on the bottom have a metal ring and wire screen end plugs.

Fig. 2.--A hardware cloth Z-shaped insert with beverage can food dispenser and queen cage attached.

Fig. 3.--A molded plastic end plug with fins to prevent ventilation blockage.

Fig. 4.--Hiving package bees from a fiberboard tube shipping container.

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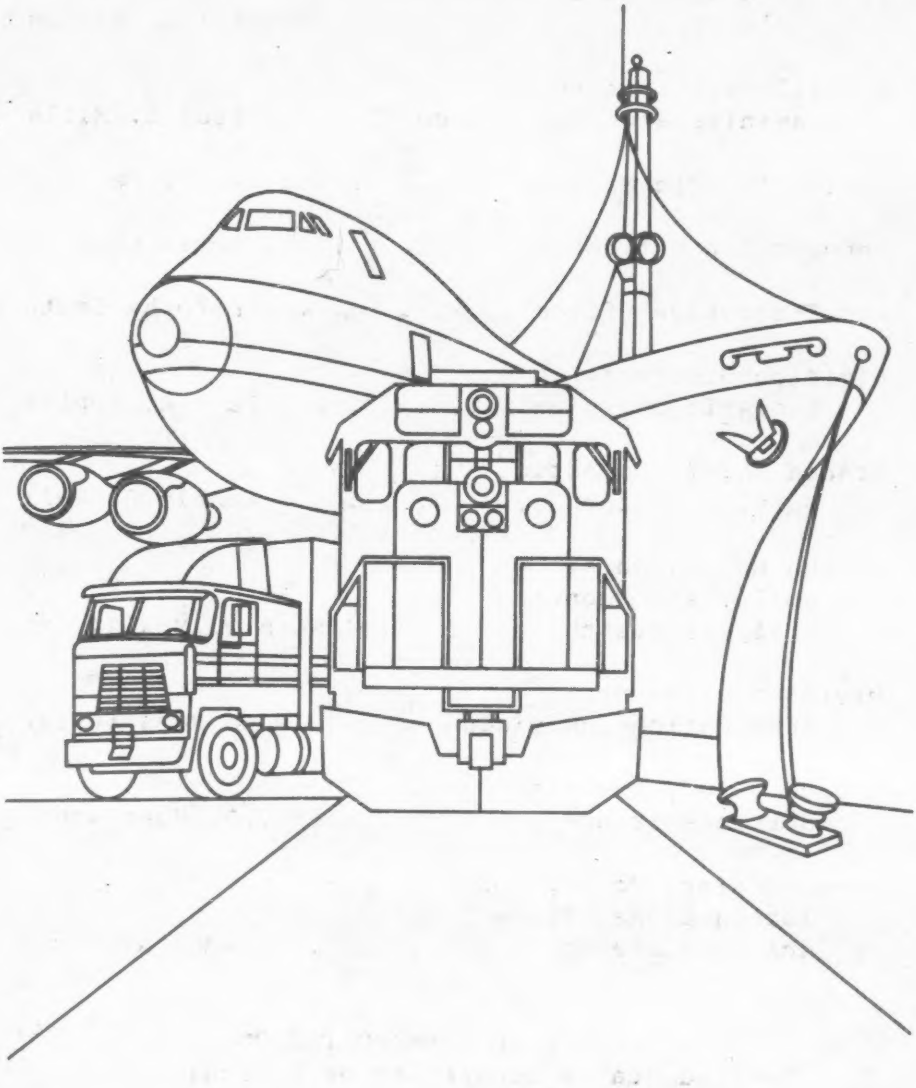
Program Review 1985



WHOM TO CONTACT

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Deputy Administrator	Wesley R. Kriebel
Special Assistant to the Administrator	Richard G. Warren
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Branch Chief, Policy and International Trade Analysis Branch	James A. Caron

OFFICE OF TRANSPORTATION
United States Department of Agriculture
Washington, D.C. 20250
(202) 447-3963

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BRIEF DESCRIPTION OF AGENCY

THE OFFICE OF TRANSPORTATION (OT), organized in 1978, brought together traffic managers, economists, engineers, and agricultural marketing specialists from several USDA agencies to solve problems of U.S and world agricultural transportation systems.

OT is delegated the authority given the Secretary of Agriculture to represent agricultural interests before regulatory agencies regarding transportation matters, and to perform research and other activities relating to agricultural transportation. It is the only agency in the Federal Government specifically organized to develop national agricultural transportation policy and promote an efficient transportation system to help improve farm income, expand exports, and meet the needs of rural America.

The current organization has two divisions--domestic and international--that reflect growing interest and emphasis on international trade, while providing more support for close analysis of rapidly changing domestic issues.

The domestic division undertakes programs that encourage and promote an efficient U.S. transportation system for large and small producers, shippers, and exporters of agricultural products. Improved rural roads and bridges, fair and equitable rail and truck rates, and a competitive barge industry are among the objectives of the domestic division.

The international division develops programs aimed at finding better and more cost-effective methods to move product to world markets and provides technical assistance to foreign nations to increase trade and expand U.S. markets.

Both divisions conduct technical research, often in cooperation with private industry; help formulate and guide agricultural transportation policies; plan and author economic studies; and publish reports aimed at providing accurate and timely information about domestic and international transportation issues, news, and trends.

OT also identifies transportation-related barriers and estimates their impacts on agriculture and rural areas; provides information and makes recommendations to Federal and State decisionmakers involved in regulatory, policy, and legislative matters; and represents agriculture and rural communities before regulatory agencies so that fair and equitable rates, services, and facilities are available domestically and internationally.

THE SETTING

Transportation and agriculture have been in a troubled marriage since the days of getting food to market by ox cart.

Without transportation farmers have neither the means nor the incentive to produce more than their immediate needs. And agricultural products have always been a major part of the transporters' business. Rivers and canals opened the interior of this country to fur trading, lumbering, and agriculture prior to independence. In the last century, the railroads and agriculture settled the West.

As the industrial revolution peaked in the United States the rail industry enjoyed its heyday. But the excesses of the robber barons led to demands for rail regulation, and the landmark "Act to Regulate Commerce" created the Interstate Commerce Commission (ICC) in 1887.

During the next several decades the rail industry slipped to the brink of disaster and nationalization, marked in 1970 by one of the largest bankruptcies ever filed, the Penn Central. Other smaller carriers went under and gradually disappeared through abandonment of lines and acquisition by larger railroads.

Meanwhile, significant public investment in infrastructure--inland waterways and the Interstate Highway System--led to impressive improvements in mobility and transport efficiency.

During this same period U.S. agriculture grew from an era of self-sufficiency to become one of the most capital-intensive industries in the country and the greatest positive contributor to the U.S. trade balance.

Then, after a succession of earlier laws had paved the way, the Staggers Rail Act of 1980 substantially deregulated railroads.

Today, the rail industry is rebuilding strength and restructuring to meet future challenges. Mergers and rail line abandonments have left fewer but much larger carriers operating fewer miles of track. Rail profits have improved; and the Government-backed Conrail, successor to the Penn Central, is poised to return to the private sector under one of several alternative plans to get the Federal Government out of railroading.

In contrast, agriculture has found itself trying for the last 10 years to reconcile a patchwork of old laws and policies. Farm income has fallen steadily. There is a near crisis in farm credit. For an industry grown dependent on exports, agriculture is facing ever-increasing competition for world markets--some of which U.S. producers can't reach because of the cost of transportation or lack of suitable transport facilities or services.

Despite a poor farm economy, agriculture has benefited from many of the innovative changes resulting from economic deregulation at the national level. But still, on the eve of the ICC's centennial, many in the agricultural community are not convinced that the perfect balance has yet been struck between the freedom of the market place for the railroads and protection for those producers and shippers who lack the market power of size and choice.

There are also issues besides regulatory policy and export expansion. There is the cost of maintaining and modernizing the waterways, ports, and harbors on which agriculture depends. How this cost is paid by waterway users is a matter of keen concern to agricultural shippers. And rural areas in most regions of the country are faced with deteriorating roads and bridges, seemingly forgotten in the Interstate era. Aggravated by heavier vehicles and more traffic, the result in part of abandoned rail branch lines, the rural road network, on which agriculture depends to get supplies into the farm and products out, is in trouble.

So, solutions to old problems present new challenges. And while the marriage between transportation and agriculture is still troubled, it will last forever--or at least as long as people need to eat.

DOMESTIC PRIORITIES

Impact of Rail Deregulation

One of OT's top priorities is the close monitoring of what is happening to producers as a result of rail deregulation. OT has published two reports assessing the impact of rail deregulation.

More so than in most segments of the economy, the fortunes of agricultural producers are tied to the availability of transportation because climate and other natural factors limit the opportunities to relocate sites of agricultural production. And even very large farmers typically do not have the bargaining power of large manufacturing concerns with multiple plant sites on competing lines.

While deregulation has generally benefited agriculture, the concerns that remain involve the lack of protection afforded small shippers by current rate reasonableness standards, the unrestricted cancellation by carriers of joint rates and reciprocal switching, and the inequities that can result from contract rate secrecy. OT believes the solution to these problems lies in negotiated settlements to shipper-carrier differences and better interpretation and application of existing law.

As part of the 1985 monitoring effort, on-site interviews were conducted at grain elevator facilities in six of the major grain-producing States (Illinois, Indiana, Ohio, Michigan, Minnesota, and North Dakota) to obtain firsthand information about the changes in grain marketing that have resulted from the Staggers Rail Act of 1980. During a typical interview, an OT team would meet with a manager of a grain elevator and collect information regarding the manager's experiences with post-Staggers situations such as rail contracts and switching fees. Plans are being made to conduct additional site interviews during the next year.

A mail survey obtained information about the rail transportation system providing service to grain shippers across the country. The survey included questions regarding operational practices, rail contracts, switching fees, and cancellation of joint rates and routes. Responses were received from shippers in 43 States.

A case study was conducted to measure the impact of rail deregulation on the grain marketing system and prices paid to farmers. The study, done in cooperation with Kansas State University, examined changes in both the grain marketing system and prices paid to Kansas farmers for wheat spanning the period when rail deregulation occurred. The results are reported in an OT publication entitled Impacts of Rail Deregulation on Marketing of Kansas Wheat.

Though the study found that rail deregulation injured some Kansas shippers, farmers generally benefited from rail rate reductions occurring after deregulation. Rate reductions, however, were attributed to many factors including reduced export flow of wheat, surpluses of transport equipment, changes in transport technology, and others. Rail deregulation did not create these conditions but contributed to a market environment that adjusted more quickly to those changes than in the past.

OT provided the information gained through these survey and study efforts in testimony before the Congress during oversight hearings on the Staggers Rail Act of 1980. OT did not support legislative change in 1985 since the evidence indicated that the level of rail freight rates had generally declined and carrier service had generally improved since the Act was passed.

One of OT's specific mandates is to represent agriculture's interests before regulatory agencies. The principal forum is the ICC. OT has participated in several proceedings during the past year. In the Coal Rate Guidelines case, OT argued against the application of such rate guidelines to the shipment of grain on grounds that it would not be in agriculture's interest. The grain industry was opposed as well.

In another ICC proceeding, OT supported the need for clearly defined standards for determining whether a proposed cancellation of through routes, joint rates, or reciprocal switching should be allowed in competitive access determinations. The competitive-access question concerns the nature of the obligation one railroad has to cooperate with another in allowing shipments to flow over more than one line to reach a given market. Grain shippers are among the group potentially affected most.

In another case involving Product and Geographic Competition, OT argued against the use of product and geographic competition in rate reasonableness proceedings, citing the wide range of interpretations involved in the determination of such competition. The vagueness of such standards would impose too great a burden upon smaller agricultural shippers and effectively foreclose regulatory protection for them.

Rural Transportation Infrastructure

OT is concerned about the adequacy of the rural transportation system to meet the transport needs of agricultural producers and rural communities. Roads and rail lines are the primary means of getting supplies and raw materials into farms and businesses, moving products out to processors and markets, and transporting residents to services and off-farm jobs.

OT has developed information and data on the needs, conditions, and extent of the rural system. This information is used to analyze policies and to assess the economic performance of the marketing system for agricultural products. OT works to improve the quality of decisions made at the Federal, State, and local levels concerning the rural transportation system.

A statewide study of Pennsylvania's agricultural access needs was completed by the Pennsylvania Department of Transportation. It was based upon a pilot study involving OT. The pilot study was conducted in two counties of Pennsylvania to identify the system of rural roads and bridges considered most important to the State's agriculture and forest industries. It focused on information needed by State transportation officials to identify priority needs for planning and programming rural roadway improvements. A process was developed for incorporating the rural needs through local input and identifying the network of roads and bridges considered most important to the rural areas for transporting commodities and products to market and supplies to the farms.

Results of the pilot study included development of more complete data for decisionmaking, establishment of a continuing communication network among State and local officials and agricultural and transportation interests, and a commitment by the State to follow up with State-level initiatives to improve specific rural roads and bridges. The pilot effort is summarized in a publication entitled Pennsylvania Agricultural Access Network Pilot Study. The statewide results are presented in Pennsylvania Agri-Access Network Statewide Report. In addition, the U.S. Department of Transportation's Federal Highway Administration produced a videotape of the project for use by other State and local officials concerned with planning rural road and bridge improvements.

OT coordinated a study funded by OT and two other USDA agencies--Agricultural Marketing Service and Office of Rural Development Policy--to identify local rural road and bridge needs in the four Midwestern States of Illinois, Ohio, Minnesota, and Wisconsin, to examine local government finance and management options, and to develop computer software for budgeting and planning local road and bridge improvements. Information on the road and bridge conditions and needs was gathered from the perspective of township officials, farmers, and agricultural businesses and was examined in the context of financial resources available for maintaining or upgrading the facilities. Policy recommendations and possible alternatives for financing were evaluated by the users and providers. The results are reported in a publication entitled Financing Rural Roads and Bridges in the Midwest. This project is being expanded to include other States.

Due to the magnitude of the rural bridge problem, OT is giving special attention to the economical replacement and rehabilitation of rural bridges. OT helped the USDA Forest Service develop a technology transfer plan for assisting State and local officials in constructing new and replacement timber bridges on the rural road system. In addition, OT conducted site visits to evaluate the feasibility of using timber as a safe and economical alternative for replacing deficient rural bridges. The timber bridge technology developed by the Forest Service and the American Institute of Timber Construction can indeed serve as a base to encourage the use of timber as an economical alternative to concrete and steel bridges on the rural road system. Now OT is helping to implement the technology transfer plan which includes the development of a timber bridge design and construction manual, the dissemination of information to rural officials, and the conduct of on-site demonstrations.

Current information is maintained on rail line service discontinuances or locations of anticipated abandonments for most regions of the country based on ICC data. This information is used in helping to identify rural areas potentially affected by the loss of rail service.

Since 1984 OT has become involved in helping farming communities and agriculture-related industries deal with railroad abandonments. OT helped establish the Fairmount & Western Railroad in Robeson County, North Carolina, which is the State's largest corn producing county. OT helped establish the Franklin County Railroad Corporation and the Nash County Railroad Corporation, two short line railroads in North Carolina. Current efforts are directed toward helping officials representing North Carolina's legislative, transportation, agriculture, and commerce offices and agriculture organizations study the feasibility of a modern rail-barge operation to replace the present rail bridge over the Albermarle Sound as an alternative to abandonment of the line. OT is also working with other States trying to help with line abandonments.

Shipping Technology

OT, through its laboratory in Beltsville, MD, conducts applied research on technological or design problems of shipping and handling agricultural products and problems of storage and packaging as they relate to transportation. The objective is to reduce costs of transportation or product loss or maintain product quality during transit.

OT worked with industry cooperators to evaluate both mechanically and cryogenically refrigerated multicompartmental trailers used for combination fresh and frozen food deliveries. The study found that cryogenically refrigerated trailers operated at the least cost and provided the fastest temperature recovery after door openings. A final report is forthcoming on this project, which was completed in 1985.

More than $125 million worth of potatoes are lost by bruising annually. OT studied this loss and determined that very little is a result of bruising in transit, though considerable bruising results from handling during vehicle loading and unloading. The study estimated the degree of handling abuse which will result in bruising damage. One report is available and a second is soon to be released.

OT developed and tested a new fiberboard tube packaging system for the shipment of bees. The tube system replaces the wood-and-wirescreen cages which have been used since the 1800's. The screen cages are easily broken and release bees in aircraft baggage bays and mail trucks. The new tube package, for which USDA will hold a public patent, is much stronger and no more costly than the traditional cages. Further testing on export shipments overseas will be completed in 1986. An article will soon be published in the trade press describing the OT bee tube system.

OT is studying and testing methods of reducing the amount of road vibration transmitted into pallet loads of strawberries in trucks in an effort to reduce part of the loss, estimated at up to $1,000 in a typical transcontinental truck shipment.

OT concluded a long-term study to develop new equipment and methods for shipping feeder and slaughter cattle by rail with onboard feed and water in 1985. The study addressed specifications for stocking densities, feed bunkers, watering equipment, and flooring designs and determined that shipping cattle by rail with feed and water is a technically feasible option. Intermodal livestock containers for transport on flatcars and containerships were developed by industry based on the design criteria developed in this study. Having developed the system to the point that the private sector plans to carry on further work, OT has nothing more planned for this project.

OT completed a study to find an alternative to diesel/mechanical refrigeration during rail transit. The study, done in cooperation with industry, examined the feasibility and evaluated design features of a cryogenic refrigeration system for railcars. Several types of systems using liquid carbon dioxide were developed and tested. The new refrigeration systems proved less costly for transporting frozen foods, and about 150 railcars already have been converted to this type of refrigeration. Further development is underway by the private sector.

INTERNATIONAL PRIORITIES

Expanding Markets for U.S. Exports

The U.S. share of the world market has trended downward in recent years in raw bulk commodities because of increasing competition as other nations develop their own production and exporting expertise. But world demand is increasing for high-value and value-added commodities. OT works with industry and other government groups to help U.S. exporters expand into new markets and retain the old.

The United States is a signatory to a United Nations Economic Commission for Europe (ECE) treaty entitled Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be Used for such Carriage, or ATP. The authority to implement the agreement has been delegated to OT.

ATP requires the establishment of a program of inspection, testing, and certification of refrigerated equipment to meet health and safety requirements of some ECE nations for the transport of certain foodstuffs within Europe. This program for U.S. exporters will enable them to be more competitive in those markets by providing a lesser cost alternative to the system of fees they incur in its absence. The program, to be carried out in cooperation with industry and the testing done by the private sector, will be fully operational in early 1986.

OT completed a study for USDA's Foreign Agriculture Service (FAS) on the transportation, handling, and export of oak from several Eastern States to the European Community. Trade between U.S. ports serving these States and EC countries accounted for 21 percent of the total U.S. oak log and lumber exports.

The study found that weight restrictions on U.S. highways and at U.S. ports limit exports of oak logs and lumber. OT concluded that combining individual shipments of oak from Baltimore, the major port of export for oak to the Federal Republic of Germany, the major recipient, could improve transportation efficiency. Shippers and carriers could also reduce costs by taking advantage of provisions in the Shipping Act of 1984 and the Export Trading Company Act of 1982 which encourage joint action.

At the request of FAS, OT undertook a survey of 13 container and grain handling ports in the Middle East for the purpose of determining their ability to handle effectively the discharge of U.S. agricultural exports.

Port expansion and modernization programs undertaken by the Arabian Peninsula countries over the past 10 years have resulted in the development of port facilities with the technology and capability for handling the world's most sophisticated container traffic along with that of bulk and general cargo. In fact, there is now a substantial excess port capacity at most of these 13 major ports.

Frequency of ocean freight services from the United States to the Middle East appears to be adequate. U.S. ports, however, have a transportation distance disadvantage with a number of other major world port competitors in terms of reaching the Middle East markets.

The Export Trading Company Act of 1982 allows businesses and associations, including producers, processors, bankers, transporters, and marketers, to operate collectively as a single export trading company (ETC). ETC participants have a great deal of latitude. The scope and operation are determined by the products to be exported, the foreign markets to be targeted, the services to be provided, the trading activities, and the probable participants and investors.

OT undertook a study of the use of ETC's to reduce agricultural transport costs. The study found that many U.S. exporters--particularly small firms with annual exports of less than $1 million--sell their products f.o.b. (free on board), leaving it up to the buyer to assume the risk for volatile freight rates, scheduling, and other uncertainties. Sellers thereby relinquish control over one of the most important elements affecting the cost of their products in the international marketplace.

There has long been a market for hedging against fluctuations in prices and currency exchange rates. In 1985 the world's shipping community was given the same market opportunity in transportation--a futures contract for dry bulk ocean freight rates. The contract is based on an index of freight rates on 13 major trade routes. As the index changes, so does the value of the contract. Like other futures contracts, the purpose is to allow the holder to hedge against rate volatility.

OT surveyed major grain traders and found that fluctuations in ocean freight rates rank closely behind fluctuations in grain prices and currency exchange rates as major trading risks. Because the grain market itself is much less predictable than markets for other major dry bulk commodities, grain tends to rely on the spot market for a larger share of its shipments. Therefore, the potential benefit to agriculture is probably greater than for other industries.

OT cosponsored and participated in a scientific and technical exchange with Australia and New Zealand studying all aspects of livestock export. Australia and New Zealand have the largest livestock export programs in the world. Information on their latest transportation technology and preconditioning treatment of animals for the export trade is being disseminated to American livestock exporters.

OT coordinates U.S. agricultural exports overland to Mexico, serving the function of border coordinator as required by a bilateral supply agreement between the two countries. The forum for coordination, as called for by the agreement, is a U.S.-Mexico Transportation Group, consisting of representatives of suppliers, purchasers, carriers, and government agencies concerned with export transactions (customs, inspection, etc.). By mutual agreement, the Transportation Group holds two or three plenary meetings a year--three in 1985--which are open to all concerned parties.

The group exists to coordinate the many complexities of transporting large volumes--4 million tons of grain annually by rail--through just a few border crossing points with very limited storage facilities for both customs and health inspections. OT has helped eliminate costly delays at border points and congestion at rail yards, and has helped speed the return of empty cars from the Mexican interior. This activity has significantly and directly helped the United States retain the major share of the Mexican market for corn, sorghum, soybeans, sunflower seeds, and nonfat dry milk.

OT revised its Export Handbook for U.S. Agricultural Products. This handbook provides a shipper of agricultural products with a brief but well-defined set of guidelines to help in foreign market competition. Topics include general shipping information, product selection, packaging, storage, handling, loading and transport, as well as product disorders.

Assistance to Trading Partners

There are instances in which U.S. producers have foreign investment in agricultural production, and others in which U.S. suppliers rely on foreign production to supply domestic demand. These instances generally arise as a result of seasonal differences in production and harvest between countries and where products are not directly competitive with U.S. commodities. Therefore, OT is also involved in programs of technical exchange with other nations. These activities promote improved relations between countries and more stable markets.

The Caribbean Basin Initiative (CBI), enacted by Congress in 1983 to promote the economic development of those nations through trade, aid, and investment, provides duty-free entry into the United States for most Caribbean Basin products until 1995. OT is a key participant in the U.S. Department of Transportation's CBI Transportation Working Group. The Working Group's role is to identify transportation problems, prescribe appropriate action, and initiate action whenever possible on issues which block the attainment of CBI objectives.

One of the principal problems in exporting agricultural products from the CBI is the availability of services and facilities for the handling of perishable products. Since transportation costs and services are predominant impediments, OT participated in workshops and conferences sponsored by the Agri-Business Promotion Council, Agency for International Development, and USDA in order to discuss the packaging, handling, and transportation of perishables. OT also cooperated with the Office of International Cooperation and Development, USDA, in conducting workshops in several CBI countries on similar topics.

At Mexico's request, OT assisted producers from Tamaulipas, the major grain producing state in Mexico, to transport over 12,000 truckloads of corn and sorghum, alleviating a harvest crisis of inadequate storage in Tamaulipas. OT arranged with the U.S. Customs and USDA's Animal and Plant Health Inspection Service and with the Public Elevator at the Port of Brownsville to have the grain trucked across the border between Matamoros and Brownsville and transloaded to vessel for reshipment to Mexican ports. Because shipments took place at night to avoid traffic congestion, special arrangements were required for afterhours and overtime inspections and services.

OT, on request, provided assistance to the Japan Institute of Food Distribution Systems, a quasi-public group funded by the Japan Ministry of Agriculture, Forestry, and Fisheries. The group exists to develop improved methods of transporting foods, especially perishable products. OT arranged seminars and provided information of various sorts for the benefit of this group. As a result, OT was further requested to advise delegations from Japan and China in formation of the Japan-China Food Circulation Development Commission, organized for the purpose of exchanging information and methods between the two countries.

In 1982 at the request of the People's Republic of China, OT sent a team to review that country's grain handling, storage, and milling system and the transportation system. In follow up, OT arranged an extensive tour of U.S. transportation and handling facilities in 1985 for a delegation of top Chinese officials. As a result, the Chinese are now negotiating with U.S. firms for purchase of rail cars, trucks, trailers, containers, and other equipment to modernize their systems.

OT worked with produce industry representatives to evaluate the impact of the Motor Carrier Safety Act of 1984. This law requires Mexican-owned or domiciled trucks to be registered on an annual basis with the ICC. Registration permits Mexican motor carriers to operate within established commercial zones of towns located along the border. Since the majority of produce establishments in the Rio Grande Valley are located outside the prescribed commercial zones, many feared they would be left without adequate transportation at a reasonable price. The same situation exists in the Nogales, Arizona, area. OT sent letters of support to the ICC on behalf of U.S. produce interests to expand the commercial zones of towns in the Rio Grande Valley and Nogales to include those establishments which are outside the present commercial zones. OT also filed a formal petition with the ICC in Ex Parte No. MC-37 (Sub. No. 38), Petition to Establish a Commercial Zone of Cameron, Hildalgo, Starr, and Willacy Counties, Texas, dealing with the Rio Grande Valley commercial zone.

INFORMATION AND ASSISTANCE

Periodicals

OT publishes the weekly "Grain Situation Report" and the monthly "World Agricultural Transportation Report." Both reports provide news, relevant statistics, and insights into current issues and trends.

Each month "The Truck Cost Report" gives fixed and variable costs for fleet and owner-operated fruit and vegetable trucks. This report is published in cooperation with USDA's Agricultural Marketing Service as a part of the Fruit and Vegetable Market News.

These periodicals are available on subscription for a fee.

Other Publications and Reports

Many OT research and other projects result in publication of reports or articles, some of which are mentioned in earlier sections of this booklet. Write or call the OT offices listed inside the front cover for cost and availability of these and other publications, articles, and reports.

Conferences and Workshops

OT sponsors, encourages, and participates in information and educational conferences and workshops which are designed to increase participant knowledge of domestic and international agricultural transportation systems and issues, promote dialogue, develop realistic strategies for solving problems, and provide up-to-date information about the complex and rapidly changing U.S. and world transportation systems.

On different occasions OT cosponsored with the National Association of State Departments of Agriculture and with Western Growers Association two agricultural transportation conferences that examined the effects of recently enacted transportation legislation. OT also cosponsored with the U.S. Department of Commerce two conferences on export trading companies designed to provide information to potential ETC participants and targeted at agricultural exporters. A Mid-America Rural Road and Bridge Conference was held in cooperation with the Illinois Department of Agriculture and the Illinois Cooperative Extension Service to share with State and local officials information about and strategies for solving rural road and bridge problems. OT also chairs the transportation panel for USDA's annual OUTLOOK Conference.

Technical Assistance

Providing accurate and timely information and assistance suggests the substance and structure of OT's mandate and mission--Service to farmers, shippers, exporters, and Federal, State, and local officials, through prompt technical assistance and the dependable transfer of useable information.

Technical assistance takes many forms. OT handles many requests every year for information on a range of topics. OT offers guidance and assistance to shippers involved in or contemplating ICC regulatory actions and offers help to groups of small shippers in rate or contract negotiations. In addition, OT meets with a number of groups every year in a resource capacity. Some of the prominent organizations on which OT is represented as a committee member or chairman or director include the following: National Motor Carrier Advisory Committee, St. Lawrence Seaway Working Group, Federal Highway Administration's Rural Transportation Issues Workshop Steering Committee, Transportation Research Forum, Transportation Research Board, International Institute of Regrigeration, Animal Air Transportation Association, National Council of Farmer Cooperatives, and United Fresh Fruit and Vegatable Association.

OT strives to anticipate causes and effects of problems like rail and truck strikes before they occur and to promote solutions that consider the interests of U.S. agriculture. During emergencies or natural disasters OT remains ready to assist with up-to-date information and analysis of the potential impacts on the shipment of U.S. agricultural products.

FUTURE PRIORITIES

Domestically, not all rail regulatory issues are fully resolved, such as competitive access, contract rate disclosure, and application of market dominance criteria for determination of rate reasonableness. Insurance coverage for the trucking industry is becoming very expensive and is affecting the cost and availability of motor transportation, especially for perishables. Rural roads and bridges are not adequate, a condition aggravated by rail abandonments. OT will continue working with industry groups and with Federal, State, and local officials on these and other matters.

Internationally, OT will be watching as effects of the Shipping Act of 1984 become more pronounced. Always a politically sensitive issue, cargo preference (reservation of a prescribed share of export traffic for flag carriers of the exporting nation) will probably be debated in 1986; and OT will be concerned with the impact that alternative proposals would have on agriculture. OT will apply its research and other efforts to the Carribean Basin Initiative and to means by which U.S. exports of high-value and value-added agricultural commodities may be increased.

Specific priorities for the near future will be based on these goals:

* Help agricultural producers survive the negative consequences of rail deregulation and benefit from its opportunities;

* Help rural areas with a road and bridge renaissance; and

* Help open new world markets for U.S. agricultural products through improved and more cost-effective transportation.

United States
Department of
Agriculture

Office of
Transportation

Effects of the Staggers Rail Act on Grain Marketing

PREFACE

The Staggers Rail Act (SRA) of 1980 (P.L. 96-448) substantially reduced Federal control over railroad activities. The act opened up opportunities for carriers to be more innovative in marketing their services and allowed carriers greater freedom to negotiate with shippers.

Before the passage of the SRA, many agricultural shippers expressed concern about total deregulation of the railroad industry. Shippers feared that railroads would use their economic power to increase freight rates dramatically and reduce service to small shippers located in agricultural regions that do not have access to barge or other modes of transportation. To date, some provisions of the SRA have not been fully tested, and many shippers of agricultural commodities continue to voice their concerns.

The Office of Transportation (OT) of the U.S. Department of Agriculture evaluates the effect of transportation policies on agriculture and provides assistance to shippers. OT has monitored the implementation of the SRA. In August 1982, the Agency published a report entitled "An Assessment of Impacts on Agriculture of the Staggers Rail Act and Motor Carrier Act of 1980." Among the findings were the following:

(1) The effects of the Motor Carrier Act on agriculture had been less dramatic than the effects of the SRA.

(2) Agriculture benefited from rail rate innovations following implementation of the SRA. In general, rail rates decreased for grain destined for export markets, and some single-car rates charged to processors declined as railroads attempted to stay competitive with trucks. Also, in 1981 several railroads published multiple-car and unit-train rates on wheat to several port areas. Before the SRA, some shippers had access to the full range of less expensive multiple-car and unit-train rates, while most shippers, including those in major wheat-producing regions, had access only to higher single-car and "small" multiple-car rates.

(3) Although many shippers did not understand the SRA, small- and medium-volume shippers were uncertain about how to take advantage of rail contracts. OT encouraged shippers to take advantage of contracts, and supported the concept of multiple-shipper contracts.

This report is an update of the August 1982 assessment.

Washington, D.C. 20250

July 1984

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EXECUTIVE SUMMARY AND RECOMMENDATIONS

Since passage of the Staggers Rail Act (SRA) in 1980, the Office of Transportation (OT) has assessed the reactions of agricultural shippers to key provisions of the act. Many shippers have taken advantage of innovative rail rates and services to improve their financial returns. During the initial post-Staggers period there was a world-wide economic recession, causing a large surplus of rail and barge capacity. These events may have been in part responsible for rail innovations. Many grain industry leaders believe that results of rail regulatory reforms will become clear only after a period of sustained, increased demand for rail services. While economic factors have been instrumental in rail rate and service innovations, congressional action was necessary to pave the way for the rail industry to innovate.

This assessment report identifies the major post-Staggers impediments to the grain marketing and transportation system and recommends actions to alleviate these problems. OT visited 48 grain shippers in the summer of 1983 and conducted nine regional workshops in 1983-84. Four issues surfaced as major concerns to shippers:

(1) There is a need for free flow of contract rate information to all firms. This free flow of information is in the best interests of grain farmers, country elevator operators, and the grain industry as a whole.

Although grain shippers accept contract ratemaking as a means for carriers to manage equipment effectively and for shippers to lock in rates or services, many shippers believe railroads are discriminating against them because contract terms are confidential. Most of the testimony given at the regional workshops called for full disclosure of economic terms of rail contracts on agricultural commodities. Shippers mentioned that the absence of actual rate information deprived them of protection they expected from the SRA.

(2) Shippers expressed the need for more assistance in negotiating contracts with railroads. Shippers need rail cost information, although it is generally difficult and expensive to gather and interpret. Therefore, many believe they are at a disadvantage in the contract negotiation process. There is no consensus on a new method to determine rail costs, even though the Interstate Commerce Commission (ICC) has held numerous public hearings on this matter. Generally, large grain corporations can obtain information for negotiating with a railroad; however, many small- to medium-volume shippers are handicapped by a lack of resources. Most shippers were interested in

multiple-shipper contracts, but were skeptical about implementation; they are also concerned about antitrust aspects of multiple-shipper contracts.

(3) Shippers expressed concern about the actions of carriers in markets where railroads are dominant. Congress defined market dominance as a lack of effective competition. If a carrier charges a competitive rate and supplies adequate service and flexible access to markets, then competition is effective. As yet, there are no recognized standards for determining whether a rate level is unreasonable. In the past, the railroad had to justify rate levels. Now, because of an ICC decision, the shipper must confront unreasonable rate levels by first proving market dominance using vague guidelines. These guidelines require the shipper to produce evidence that there are no other railroads or competitive forms of transportion available. In addition, shippers must prove the absence of product and geographic competition in the determination of market dominance. For example, a shipper must prove that the same product cannot be purchased from another location. Most shippers believe the requirements for proving market dominance are unreasonable. Others lack the resources to gather the information needed to produce a convincing argument. The use of geographic and product competition as market dominance criteria is particularly difficult for many agricultural shippers.

As a result, the criteria established by the ICC to interpret market-dominance provisions of the Staggers Act have all but stopped shipper complaints about unreasonable rates.

(4) The unilateral cancellation of joint rates and through routes and reciprocal switching agreements by certain railroads is a major issue in several regions of the Nation. In canceling joint rates and through routes, railroads decrease shippers' options. Any unreasonable restrictions in the routing of freight, whether through route cancellations, closing of gateways, cancellation of switching agreements, or prohibitive switching charges, can increase the cost of transportation to shippers.

The Department of Agriculture recommends the following:

(1) The Congress should direct the ICC to develop procedures by which shippers, particularly small grain shippers, could determine unfair discriminatory practices caused by confidentiality of rail contracts. Other options could be that the ICC require full disclosure of the essential terms of rail contracts, provide a simplified procedure for shippers who feel

they are being discriminated against to gain access to rail contracts through discovery petitions, extend the authority of the Contract Advisory Service to determine unfair discriminatory practices, and so forth. The Secretary of Agriculture may consider submitting legislative recommendations at a later date if it is deemed appropriate.

Contracts are an important tool for agricultural shippers. Therefore, it is necessary for the ICC to develop an equitable procedure for determining undue discriminatory practices. In establishing final rules for rail contracts, the Commission interpreted that Congress intended that confidentiality be preserved as much as possible to foster the use of contracts. According to the ICC, contracts are private agreements and should not be made public. OT encourages shippers to join together to negotiate rail contract rates if they are disadvantaged by their size or market strength. The ICC stated it has no authority to restrict this practice and suggests that sample contracts be submitted to the Department of Justice under their Business Review Procedure, 28 CFR 50.6, so that they can determine if this practice violates antitrust law. Because small shippers are often competitors, however, they may be reluctant to join together in this manner.

(2) The Congress should direct the ICC to reevaluate the criteria under which shippers may bring an action alleging that a rate is unreasonable. A rail market share of 70 percent or greater should constitute prima facie evidence of an absence of competition. The market dominance tests established by the ICC in response to the Rail Revitalization and Regulatory Reform Act of 1976 (Public Law 94-210) and the SRA have worked to the advantage of the carriers while frustrating shippers. Although rates have been subjected to downward pressures in recent years and the need to protest rates for being excessively high has decreased, a safeguard against rate abuses should be in place. This will become increasingly important as the economy improves.

(3) The Congress should direct the ICC to review the matter of cancellation of joint rates, through routes, and reciprocal switching agreements in the interest of balancing the needs of agriculture and railroads. Many large railroads today are canceling joint rates and through routes, thus restricting shippers and receivers in their choice of markets.

(4) The Congress should evaluate the actions of railroads in an improved economy before further deregulation legislation.

ASSESSMENT UPDATE

In its August 1982 assessment report OT stated that the effectiveness of the SRA would become clearer as the recession-weakened economy recovered. Complicating an assessment of SRA is an excess of grain transport capacity. This oversupply, which occurred rapidly beginning in 1980, came about in part because of expectations of a continued increase in grain exports. However, the export growth rate has decreased since the early 1980's.

Since enactment of SRA, OT has participated in proceedings before the ICC on behalf of the Secretary of Agriculture. Most of those were rulemaking proceedings on how to interpret or implement the provisions of the SRA. OT has continued the assessment process as part of its mission to help formulate agricultural transportation policies. OT supports a policy that provides adequate protection for "captive" shippers and, at the same time, allows adequate incentives for the railroads to maintain a modern national rail network.

Deregulatory measures have not been fully tested, and farmers and others dependent on rail transportation are still concerned about ambiguities in the ICC's interpretation and administration of the Act. Many involved in agriculture are concerned that the ICC will allow railroads to proceed unchecked and abuse their market power in anticompetitive activities with small, captive rail shippers. Some farmers argue that they are discriminated against because of the higher rates they must pay for rail transport in regions where they do not have access to other modes of transportation.

In the summer of 1983, OT staff members visited the Midwest and Northwest to gather information on the effect of the SRA on the movement of grain. Forty-eight elevator operators and processors were surveyed in 11 States.

They expressed concern about the implementation of some provisions of the act and they enthusiastically supported workshops on the opportunities and challenges of the post-Staggers period.

OT conducted grain transportation workshops at nine locations in the Southeast, Midwest, and Northwest to improve farmers', grain shippers', and receivers' understanding of the SRA and to identify problems being encountered since its enactment. This report contains information from 48 personal interviews and 9 workshops held in Georgia, Illinois, Iowa, Kansas, Montana, Nebraska, North Carolina, North

Dakota, and Washington.1/ In addition, it includes the oral and written testimony of 11 agricultural organizations representing producers, shippers, and receivers of grain and feed ingredients.

OT found four major issues of concern to shippers. A discussion of each issue follows. (See the appendixes for summaries of the Rail Revitalization and Regulatory Reform Act of 1976 and the Staggers Rail Act of 1980.)

Adequacy of Information on Rail Contracts

The SRA, which authorizes railroads to contract with shippers, requires that two documents be filed with the ICC, the confidential contract or contract amendment and the public summary. Under the Act, the ICC determines what must be included in the public summary.

The ICC interpreted congressional intent to be that contracts should not be publicly disclosed because they are private agreements. The Congress believed that full disclosure of terms would discourage the use of contracts. Thus, disclosure should include only the terms necessary for filing a complaint, with additional disclosure to be decided on a case-by-case basis.

In Ex Parte 387, Railroad Transportation Contracts, the Commission listed specific items that must be disclosed on whole grain and soybean contracts. These items are shown in the following table:

Disclosure Items for Whole Grain and Soybean Contracts

- * Name of participating railroad(s)
- * Commodity identification
- * Origins and destination stations including ports (if export)
- * Railcar data, if private equipment is used--only 40 percent of carrier equipment can be used for contracts without ICC approval.
- * Base rates or charges. Minimum annual volume, whether single or multiple car and escalation provisions
- * Special features--existence of special features, but not what the special features actually are. Thus rail carriers are not required to specify contract features such as actual rates, rate discounts, credit terms, minimum percentage traffic requirements, car supply guarantees, and transit time commitments.

The ICC believes that disclosure of all essential terms, including the actual rates for all contracts, would be contrary to congressional intent and that only nonconfidential information be made public. Also, it suggests the large number of rail contracts on record as evidence of general acceptance of confidentiality. From enactment of the SRA through January 1, 1984, the ICC reported that 12,301 contract agreements had been filed, of which 15 percent were contracts on grain and grain products. Contracts and amendments are generally in effect from 30 days to 5 years, with the majority of them being negotiated for 1 year. The filing of new contracts, amendments to existing contracts, and the extension of the effective dates on contracts indicate that contract ratemaking is working well for many shippers and carriers.

The SRA provides limited grounds for challenging a proposed contract. An agricultural shipper may file a complaint if the contracting rail carrier has refused to offer a similar contract to the complainant and if the complainant is similarly situated to the shipper who has a contract. Another basis for a shipper complaint occurs when the proposed contract constitutes a destructive competitive practice.

In both instances, the Commission, if it wishes to review a contract rate, has 30 days to begin the proceeding. Otherwise, the contract is presumed not to violate the SRA and cannot be challenged later.

Many large and small agricultural shippers stated the economic information contained in contract summaries is inadequate to challenge contracts.2/ Furthermore, the legal and traffic management expertise needed to litigate a discrimination case severely strains the financial resources of most grain shippers. At the Montana workshop, Henry Bahn, Extension Grain Marketing Specialist, Montana State University, stated that the lack of information increases risk, and this risk may cause higher transportation costs for the producer. At the Washington workshop, Kenneth Casavant, Professor of Agricultural Economics, Washington State University, said, "Information is the key to successful grain marketing and full disclosure of contract rates is needed to price grain, both at origin and destination."

1/ A copy of each workshop summary is available upon request from the Office of Transportation, USDA, Washington, D.C. 20250

2/ Several recent cases involving discovery procedure are Suspension Board cases Nos. 71165, 71166 and 71168.

When there is competition within a mode of transportation or between different modes of transportation, the confidentiality of rail contracts may be a valuable tool for shippers. Some grain handlers argue that confidential contracts encourage competition among railroads, thus keeping the railroads "honest." At the Nebraska workshop, Donald G. Oman, Vice-President of Traffic, Scoular Bishop Grain Company, Omaha, Nebraska, said, "They (railroads) don't want to disclose to a parallel line what they are doing with their shippers; and, because of the confidentiality, the carriers have been more competitive than they would be under a full disclosure environment. I think that they may have possibly given us lower rail rates and the ultimate beneficiaries of that are the producers we serve."

Of the 48 grain shippers interviewed, 17 shippers said they had contract rail rates in effect. On the issue of disclosure of all rail contract information, 33 of 48 replied in favor of public disclosure, 6 did not favor public disclosure, and 9 were noncommittal. OT found that rail contracts, at least in the short term, have been beneficial to the parties involved, although the majority of low- and medium-volume shippers have been unsuccessful in contract ratemaking. Few small shippers have held discussions with a railroad executive on the subject. Thus, the needs of small businesses may not have been met by this provision of the SRA.

Relatively few rail contracts were reported by grain firms in the Pacific Northwest and the Upper Great Plains regions. A majority of shippers located in these areas have only one rail carrier available to serve them and have no effective, competitive alternative. Therefore, the railroad has little incentive to offer contracts; and even large elevator operators reported limited involvement in contract ratemaking.

In the southeastern poultry and livestock feeding region, contract ratemaking was generally not in use. This is partly due to lower rates for multicar shipments of corn and soybeans.

Many of the conditions conducive to contract ratemaking, for example, volumes, unloading facilities, and equipment needs, exist for large receivers in the Southeast. However, representatives of poultry firms which receive large quantities of feed grains and ingredients at central locations said that previous initiatives to interest regional carriers in contract ratemaking have generally been unsuccessful.

In summary, many agricultural shippers and receivers believe that the ICC is releasing insufficient economic information and with additional rail mergers anticipated, it will be increasingly difficult for shippers to participate meaningfully in contract ratemaking. Because many complex factors are involved in rail pricing, small shippers will likely become less able to negotiate contracts with carriers. Therefore, confidentiality of essential information leaves the smaller shipper vulnerable to discrimination, which is not in the long-term best interest of agriculture. Potential benefits and risks of rail contracts are summarized on the next page.

Educational and Technical Assistance in Rate Negotiations

Most agricultural shippers agree that railroads should be free to negotiate contract rates and services that differ from published tariffs. This freedom has resulted in many favorable changes in the kinds and levels of rates available to grain shippers. Shippers have had to adjust in some instances by searching out alternative rail routes or markets; by doing so, they have assumed additional risk. Adjustments include notable increases in direct grain marketings from country elevators to ports for export and an increase in the number of elevators loading multiple-car and unit-train shipments.

In the Southeast workshops, several grain receivers compared the economic advantages of contracting for a few large-volume shipments of feed ingredients from distant origins with the advantages of numerous small-volume shipments of grain. Some participants said they needed help to determine if the freight rate reductions likely to result from contract rates were worth the added storage and inventory costs.

Rail Costs

The most effective rail contracts are likely to result from knowledgeable, experienced, and willing negotiators. Shippers need timely information about rail costs in order to design rate and service alternatives to serve their needs. Cost information also is needed to support shipper complaints of undue discrimination, to resolve branchline abandonments and subsidy levels, and to estimate movement costs and profits for individual shipments. At the Bismarck, North Dakota, workshop, Gene Griffin, Director of the Upper Great Plains Transportation Institute, North Dakota State University, emphasized the value of this information to agricultural shippers. He said when negotiating a multiple-shipper contract or an individual shipper contract that it is important to know the railroads' costs before negotiations begin.

The Commission recognizes the need to provide shippers with

Summary of Potential Benefits and Risks of Rail Contracts

Benefits	Risks
1. Carriers and shippers are allowed to make financial and operating commitments based on assurances of business.	1. Secrecy of actual rates charged eliminates the ability to prove discrimination.
2. Special services can be tailored at compensatory rates to fit individual shipping patterns.	2. Greater bargaining skills, economic power, and negotiating experience yield unfair advantages to large grain shippers.
3. Freight rates are lower.	3. Long-term multiple-year contracts do not apply to grain where forwarded sales usually fall in the 30-, 60-, 90-day category.
4. "The small country elevator can profit from contracts by helping the larger regional merchandizers account for larger volumes which permit contracts that benefit all." Leo Smith, General Manager, Anchor Grain, IL.	4. Branchline abandonments are accelerated and competitive transportation options are further reduced for some shippers.
5. Utilization of rail equipment is better, turnaround is improved, and overassignment of cars is decreased.	5. Cost is higher for trucking grain greater distances to car loading station.
6. Farmers may receive higher prices as a result of larger volume shipments.	6. Legal issues are more complicated and greater resources are required to implement multiple-shipper contracts.
7. Rates may become effective on the same day as filed.	7. The ability to meet contracted volumes may be impaired at times.
8. Future volatility of prices is reduced.	8. Captive shippers fear no protection from exploitation.
9. More efficient rate negotiation is made possible by eliminating rate bureaus.	9. "From a country elevator standpoint, it is very difficult to talk to the railroads, in terms of volume guarantees to one market, because we don't know which market is going to be the best one." Daniel Neimoth, Manager, Cooperative Producers, Hastings, NE.
10. Service level is guaranteed by rail carrier.	10. Additional inventory and facility upgrading costs may exceed rail rate savings.

rail cost information. From 1948 to 1977, the Bureau of Accounts published estimates of railroad variable unit costs by region and territory using a plan developed by the ICC commonly known as Rail Form A. Since about 1976, the ICC has been engaged in the development of a new method for determining costs called the Uniform Rail Costing System (URCS). URCS enables shippers, at a minimal expense and with minimal knowledge of the subject, to develop estimates of the cost of movements. In 1981, the ICC released a preliminary report on URCS, and several seminars were held throughout the country to explain the new methodology.

Notification of Rate Changes

A provision of the SRA, which involves increased pricing flexibility and innovative rail services, gives the ICC authority to reduce the notice period on rate changes. Prior to passage of the SRA, railroads had to give 30 days' notice before raising or lowering their published rates. The SRA reduced the required notice period to 10 days for rate reductions and 20 days for rate increases. In February 1984, a group of western rail carriers asked the ICC to reduce the notice time they are required to give on published rate increases from 20 to 10 days and on rate reductions from 10 days to 1 day. Many kinds of rail service, such as contract and exempt movements, now require no notice of rate changes. The rail carriers believe that reducing the notice time will give them added flexibility in competing with truckers. The ICC has not yet acted on this proposal. In Ex Parte 387, Sub. No. 200, Railroad Transportation Contracts, the ICC ordered that effective June 27, 1983, contracts may be implemented on the date the agreements are filed. The Commission reasoned that delaying the effective date interferes with the congressional intent of allowing rail carriers freedom to market transportation services and to meet shippers' price and service demands quickly.

Ports, shippers, and associations oppose decreasing the amount of notice time the railroads must give before changing rates because this would remove one of the safeguards against unreasonable discrimination that Congress intended to offer them. For instance, a grain shipper in Omaha, Nebraska, said it was not unusual for his office to receive tariff changes that had been in effect for 3 or 4 days. Rate changes made after short notice reduce predictability of future rate levels and create added risks for shippers who make forward sales. Most participants in the nine workshops sponsored by OT were concerned about the danger of rail rates changing before the delivery date on grain sales contracts. An Iowa elevator owner said that rapid rate increases could cancel his profit and lead to bankruptcy because much grain is sold months in advance. He added that rate increases during this period are serious; when grain is sold or priced 4 to 6 months in advance, even 30 days' notice is not adequate.

Although implementation of a new rate is immediate, a contract filed under short notice procedure does not speed up final ICC approval of the contract. The ICC cannot grant final approval to a contract until at least 30 days after filing; meanwhile, parties have the right to protest. Nonetheless, the information delivery system has been unable to respond consistently to rail rate changes in a timely fashion. The inability of shippers to keep abreast of these changes creates added risk in the market place; this increases the cost of grain merchandising and adversely affects returns to some farmers.

Multiple-Shipper Contracts

Since enactment of the SRA, considerable attention has been given to the merits of multiple-shipper contracts as a means for small shippers to compete with large shippers. Among the 48 shippers interviewed in 1983, 25 supported multiple-shipper rail contracts while 11 did not; the remainder had no comment. Nine workshop panels discussed whether multiple-shipper contracts will work. Some of the comments are listed below.

- Multiple - shipper contracts could be of benefit to small elevator operators and some large ones, but it is difficult to get the local elevator operators to work together.

- Questions exist such as--Who negotiates the terms? Who supplies what amount of grain? How are benefits given out? Who assumes the risk if tonnages are not met?

- If small shippers bargain collectively with a railroad will they encounter antitrust problems? If a group of shippers controls an inordinate share of the market the group may face an antitrust violation.

- A contract between a railroad and a single company can be complicated. Therefore, contracts with two or three additional parties can be more complicated.

- There should be a separate contract among participating elevator operators to resolve issues such as possible crop failure, the use of private cars, and other factors that affect commitments to multi-shipper contracts.

- Multiple-shipper contracts must be drawn to represent savings for the railroads. Cars must be loaded on a set schedule, a volume advantage must be there, and the grain must move to the right markets.

- Sharing a common market for grain and other compatible marketing policies may be difficult.
- An advantage could be gained when a group of producers ship to a particular processor on a year-round basis and the shippers alternate the supply.
- Elevator operators joining together to obtain a volume commitment may save some branchlines.

There are well-established organizational arrangements available to shippers who want to ship grain collectively. The organizations include cooperatives, freight forwarders, and shippers' associations. Shippers who want to organize a joint arrangement should first seek antitrust advice to avoid the possible legal conflicts. In 1983, OT held informal discussions with the Department of Justice to clarify issues involving antitrust violations. While most multiple-shipper arrangements probably would not create a monopoly, the Department of Justice suggested that those interested in shipping collectively request a business analysis review.

Market Dominance as It Applies in Rate Reasonableness Proceedings

The Rail Revitalization and Regulatory Reform Act of 1976 (4-R Act) required the ICC to consider the absence of effective competition when determining whether a rate is reasonable. The SRA limited the authority of the ICC in resolving maximum rail rates to situations where competition is not adequate to maintain reasonable rates. Some argue that the key issue is whether or not rail monopoly power needs to be controlled.

The 4-R Act directed the ICC to establish standards for determining market dominance by a rail carrier. In Ex Parte No. 320, Special Procedure For Making Findings of Market Dominance as Required by the Railroad Revitalization and Regulatory Reform Act of 1976, the Commission established rebuttable presumptions to be used to determine market dominance. These included "a cost test" requiring a revenue to variable cost ratio in excess of 160 percent; a "market share test" requiring proof that a rail carrier handled 70 percent or more of the involved traffic in the preceding year; a "substantial investment/long term supply contract test" requiring shippers to show that they had invested substantially in rail plant or equipment or were tied to a long-term supply contract that precluded alternate supply sources; and a "rate bureau test" in which a rebuttable presumption arises if the involved rate was discussed before a rate bureau. In 1982, the SRA established thresholds of jurisdiction for the ICC. In regard to maximum reasonable rates for rail traffic, the ICC retained jurisdiction only over charges where revenue to variable cost ratios exceed specified amounts, namely, more than 160 percent in 1980 and ranging progressively to 180 by 1984. The absence of competition cannot be proved for traffic with rail rates below this threshold.

In addition to thresholds, the SRA directed the ICC to consider product competition in rate reasonableness cases. The Commission determined that product competition should include geographic competition and decided to use these criteria to determine the absence of competition. In a July 8, 1981, decision in the Ex Parte No. 320 proceeding (Sub. No. 2), the ICC removed the rebuttable presumption tests for market dominance. Instead the ICC requires certain information about competition from the same kind of transportation, competition from other forms of transportation, geographic competition, and product competition.

Most shippers we contacted were confused and unhappy with the prescribed method for determining market dominance. They believed that the above guidelines favored the carriers and that the ICC was not balancing the needs of the carriers, shippers, and the public as set forth in the SRA. As a consequence, a suit was filed in a U.S. District Court to overturn the guidelines. Subsequently, the matter was taken to the U.S. Supreme Court. In April 1984, the High Court upheld the ICC's use of product and geographic competition in the determination of market dominance.

It is also important to note the Congress has recognized the need to aid the railroad industry in achieving revenue adequacy. The 4-R Act instructed the ICC to make a continuing effort to assist the carriers in attaining revenue levels that are adequate under honest, economical, and efficient management to cover operating expenses, plus a fair profit or return on the capital employed in the business. Assuming market dominance could be demonstrated, that is, the absence of competition, the ICC must also look at the defendant's revenue adequacy in a complaint case alleging rate unreasonableness. If the carrier is not earning a predetermined rate of return, the ICC may dismiss the complaint regardless of the ratio of revenue to cost returned by the assailed rate. This confusion surrounding market dominance guidelines and the considerations of revenue adequacy factors has left shippers with virtually no administrative remedies.

Some shippers believe that it is pointless for them to file protests with the Commission. For example, at the Champaign, Illinois, workshop, a grain shipper summarized the attitude of most participants on the submission of cost data as required by the surcharge and market dominance provisions of the SRA by saying, "The problem arises when you submit costs, the railroads also submit costs, and the ICC comes up with costs that are all different....Large or small shipper, you are wasting your time trying to prove market dominance."

C. Phillip Baumel, Professor of Economics, Iowa State University, observed at the Iowa workshop that most shippers believe they are captive to the railroads. He believes that shippers would be better off negotiating with the carriers rather than trying to prove the absence of competition. Rod Kober, a representative of a large grain firm, was of the same opinion. He stressed that if Congress or the ICC does not fashion a standard of reasonableness that can be understood by the average shipper, the political realities of society could force strident re-regulation in the future. Before the 4-R Act, carriers had the burden of proof in contested rate reasonableness cases. Since 1976, the burden of proof to contest a rate is on the shipper. A small-volume Kansas shipper summarized the views of others by stating that if a shipper enters into market dominance litigation, it is unlikely that it will be successful. Orlo Sorenson, Professor of Economics, Kansas State University, suggested the ICC return to issues of undue discrimination, preference, and prejudice and forget about market dominance.

Joint Rates, Through Routes, and Reciprocal Switching

The SRA allows a rail carrier participating in a joint rate to cancel a rate agreement with another railroad if that rate does not provide a specified level of revenue to the carrier that cancels. The ICC has authority to prohibit the unilateral cancellation of a joint rate by a railroad if a shipper can prove to the Commission that the shipper has no competitive alternative and that the revenue to the canceling carrier is at least 110 percent of its variable costs.

Cancellations of joint rates and routes, such as those by Conrail, the Norfolk Southern, and the CSX, have been spreading to the West where similar provisions have been published. Shippers interviewed by OT in 1983 were concerned about cancellations of joint rates and routes, cancellations of reciprocal switching agreements, and the closing of gateways. They viewed these matters as problems that affect traditional rail grain marketing activities.

To gain further insight into the problem of decreased intramodal cooperation in mid-1983, OT asked the ICC to search its records for cases in which proposed rail carrier actions had been protested. The ICC found 94 cases that had been initiated since passage of the SRA. Of this total, 59 involved joint rates and 28 involved switching.

In February 1983, the National Industrial Transportation League petitioned the ICC for a rulemaking action to prohibit anticompetitive cancellations and to implement provisions of the Act that promote competition. The petition was denied.

Comments made at the OT workshops reflect general dissatisfaction over the cancellation of joint rates, through routes, and reciprocal switching. The general traffic manager of a large grain corporation said the integrated rail system in the United States that existed before the SRA is turning into a series of single line railroads. He and others fear that shippers, processors, and other receivers will pay a penalty for the inability to negotiate a joint rate and through route.

Rail switching problems have developed in the last few years because of the cancellation of certain switching agreements or a substantial increase in switching charges. The SRA does not specifically allow the cancellation of reciprocal switching. In fact, Section 223 of the act permits the ICC to require carriers to enter into reciprocal switching agreements if it finds these agreements to be practicable and in the public interest or when needed to provide competitive rail service. The ICC has not administered this section in a manner generally favorable to shippers because the cancellation of joint rates and through routes sometimes results in reciprocal switching agreements being dropped. In this situation, switching service is not lost, but the cost is no longer included in the line-haul charge. Once removed from the line-haul charge, the service is subject to a rate published in a switching tariff in addition to the applicable line-haul charge.

In some cases, carriers increase published switching charges dramatically to discourage shippers from routing via another carrier. Increases have a substantial impact; for example, a fee of $100 charged for switching a covered hopper car loaded with 3,300 bushels of grain breaks down to a cost of 3 cents a bushel.

In sum, the SRA allows railroads to terminate joint rates and through routes more easily. These terminations, along with competitive rate adjustment by carriers and the ICC's interpretation of the act, have led to dramatic increases in certain switching charges.

Other Concerns

A more expeditious rail branchline abandonment procedure has been another provision of SRA. The principal changes involve ICC investigation requirements, time limits, and public hearings. For instance, the ICC is no longer required to undertake an investigation upon petition by an interested party on an application for abandonment. Strict time limits have been put on the ICC in disposing of an application. For example, if no protest is received within 30 days, the Commission shall allow abandonment within 75 days of the filing date.

If an investigation is undertaken it must now be completed within 135 days and a decision on the merits must be made by 165 days after filing of the application. Prior to Staggers, upon petition, the ICC could postpone the effective date of the abandonment, and investigate the matter, without a time limit for completing the investigation.

Recently, OT examined the effects of SRA on the branchline abandonment process.3/ Analysis of pre versus post sets of abandonment data revealed:

1. The number of applications for abandonment for both periods was near the same (except for a large number of Conrail applications in 1981).
2. Significantly fewer cases were investigated after Staggers than before.
3. The establishment of strict time limits for the abandonment process has shortened the length of process for all abandonment cases in general, and specifically, for investigated cases.
4. Length of process for investigated cases was not appreciably different.

OT concluded that the abandonment process has become more predictable after SRA and that service on railroad branchlines can now be abandoned much faster and easier than was previously possible.

Some workshop participants believed each line segment involved in an abandonment procedure should be viewed in the context of the total transportation and grain marketing system and that each decision requires study. In some instances grain shippers may be willing to negotiate a rail contract to originate certain tonnages, or agree to a surcharge, in return for continuation of branchline rail service.

Most shippers felt there is a need for additional farm storage and modern highway transportation facilities. Because most States do not allow 80,000-pound truck shipments on feeder roads and bridges, rail abandonments often result in the use of less efficient, smaller trucks to move grain to the railhead.

3/ A copy of the rail abandonment study is available upon request.

Section 213 of the SRA has had a profound effect on rail regulation. This section amended title 49 U.S. Code, Section 10505, "Authority to Exempt Rail Carrier Transportation." The original provision was added to the Interstate Commerce Act by the 4-R Act of 1976. The SRA amended Section 10505 by permitting the ICC to exempt certain traffic when regulation is not needed to prevent abuses of market power, whether or not there is competition.

The Commission has used Section 10505 to exempt a variety of commodities and services, including fresh fruits and vegetables; agricultural commodities except grains, soybeans, and sunflower seeds; coal for export; long- and short-haul transportation; boxcar traffic; and other services and commodities. This provision also has been used to exempt statutory notice requirements on contract rates, voluntary trackage rights agreements, trailer-on-flat-car and container-on-flat-car traffic, and prior Commission approval on certain abandonments.

Some shippers believe the Commission has overused the exemption authority provided in Section 10505. The majority of those attending the nine workshops did not favor exempting grain, soybeans, and sunflower seeds because it would introduce new risks to the producer in grain pricing. However, the legislative intent contained in the Report of the Conference Committee on S. 1946, stated, "The conferees expect that, consistent with the policies of this Act, the Commission will pursue partial and complete exemptions from remaining regulation. The conferees anticipate that through the exemption process the Commission will eventually reduce its exercise of authority to instances where regulation is necessary to protect against abuses of market power where other Federal remedies are inadequate for this purpose." The legislative history may explain the extensive use of Section 10505.

Finally, the regulatory atmosphere in which transportation firms operate has been drastically altered by the 4-R Act, the SRA, the Motor Carrier Act, and the ICC's administration of these acts. As the study released by OT in August 1982 indicated, many of the statutory provisions of deregulation appear to be working. Important benefits have been realized by both shippers and carriers. Although few trouble spots have surfaced, deregulation still has a few tests to pass before shippers and carriers can negotiate with near-equal strength. Based on field interviews, workshops, and written comments, OT believes that current transportation law may require some fine tuning, perhaps on a continuing basis, to make deregulation work and to balance the needs of carriers, shippers, and the public.

APPENDIX I

Summary of Selected Provisions of the Railroad Revitalization and Regulatory Reform Act (4-R) 1976

Sec. 101 Declares the purpose of the act to be to revitalize the railroad industry

Sec. 201 Ordered ICC to establish procedure for resolving division of revenues issues expeditiously

Sec. 202 Established that a rate could not be found unreasonably low if it contributes to Going Concern Value (variable cost); established that a rate could not be found unreasonably high unless Market Dominance by the carrier was proven; provided for Seasonal, Peak Period or Regional rates; provided for Separate Rates for Distinct Services; established time limits on complaint proceedings; required that Substantial Injury be shown in rate complaints; and required that complaints before the ICC indicate that the Complainant will Prevail on the Merits

Sec. 205 Directed ICC to set standards for Railroad Revenue Adequacy

Sec. 207 Gave ICC power to Exempt persons, services or transactions from regulation

Sec. 208 Tightened up on Rate Bureaus -- independent actions must be unrestricted; single line rates cannot be discussed; carrier must participate in a rate to discuss it; and other carriers cannot protest independent actions

Sec. 209 Required all rate changes to be incorporated into tariffs within 2 years after publication (e.g., general rate increases)

Sec. 212 Gave power to ICC to compensation

Sec. 303 Established time limits on proceedings

Sec. 304 Established office of Rail Public Counsel to protect the public interest in rail cases

Sec. 305 Directed the ICC to reform the Rules of Practice before the ICC

Sec. 312 Provided for modernization of the IC Act (New Act approved 10-17-78, amended 12-1-80)

Sec. 402	Streamlined Merger Procedures
Sec. 503	Required railroads to classify and designate their systems according to traffic density and degree of essentiality
Other	Other sections provided funding and amended 3-R Act concerning Conrail

APPENDIX II

Summary of Selected Provisions of the Staggers Rail Act of 1980

Sec. 202 Established Market Dominance minimums of 160 percent of variable cost effective 10-14-80; 165 percent, 10-1-81; 170 percent, 10-1-82; 175 percent or the cost recovery percentage effective 10-1-83 and cost recovery percentage effective 10-1-84.

Sec. 203 Established zones of rate flexibility, i.e., carriers can raise rates 6 percent per year until 10-1-84 and such increases cannot be found unreasonable, 4 percent per year after 10-1-84.

Sec. 205 Directs ICC to determine whether product competition should be considered in rate reasonableness cases.

Sec. 206 Empowered ICC to establish quarterly rate index for carriers to compensate for inflationary cost increases.

Sec. 208 Provides for contract rates and prescribes certain rules for filing and protesting.

Sec. 209 Repeals Demand Sensitive Rates

Sec. 210 Phases out capital incentive rates

Sec. 211 Permits limited liability rates

Sec. 213 Expands on authority of ICC to exempt traffic. (authority originally granted by 4-R Act)

Sec. 216 Allowed increased rates to become effective on 20 days notice and reduced rates on 10 days notice--had been 30 days

Sec. 217 Provides for Joint Line Surcharges

Sec. 219 Requires Rate Bureaus to make transcripts or recordings to be filed with the ICC.

Sec. 220 Repealed Long and Short haul provisions of I.C. Act.

Sec. 223 Empower ICC to require reciprocal switching agreements where necessary to provide competition.

Sec. 223 Empower ICC to require reciprocal switching agreements where necessary to provide competition.

Sec. 224 Repeals Incentive per diem provisions of I.C. Act. Gives ICC power to set car compensation paid by carriers for use of private equipment.

Sec. 228 Adds competition as a consideration in merger cases between Class I carriers. Directs ICC to approve mergers, between carriers other than two Class I carriers, unless anticompetitive, monopolistic, creates trade restraint or against public interest. Establishes time requirements on mergers.

Sec. 229 Savings Provision allows shippers 180 days to challenge reasonableness of any rate in effect on date of Staggers, after which they will be considered lawful.

Sec. 302 Authorized the ICC to prescribe a Uniform Cost Accounting System

Sec. 401 Provides for purchase by a responsible person of light density lines being considered for abandonment.

Sec. 402 Abandonments provides that unprotested abandonments may be permitted in 75 days. Protested but not investigated abandonments can be permitted in 120 days. Protested and investigated abandonments are permitted in 195 days unless appealed; when appealed, 255 days is the maximum.

Wednesday, March 12, 1986.

PACKERS AND STOCKYARDS ADMINISTRATION

WITNESSES

ALAN TRACY, ACTING ASSISTANT SECRETARY, MARKETING AND INSPECTION SERVICES, UNITED STATES DEPARTMENT OF AGRICULTURE

B. H. (BILL) JONES, ADMINISTRATOR, PACKERS AND STOCKYARDS ADMINISTRATION

CALVIN W. WATKINS, ASSISTANT TO THE ADMINISTRATOR, PACKERS AND STOCKYARDS ADMINISTRATION

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Mr. Whitten. We will now hear the presentation by the Packers and Stockyards Administration. You may proceed, Mr. Tracy.

Opening Remarks

Mr. Tracy. Mr. Chairman, I would like to introduce Mr. Bill Jones, Administrator of the Packers and Stockyards Administration.

Mr. Whitten. Mr. Jones, we're glad to have you here, and will be glad to hear from you at this time.

Administrator's Statement

Mr. Jones. Thank you, Mr. Chairman. Let me first introduce the subcommittee to Calvin Watkins, who is in charge of the budget work for the agency.

The members of the subcommittee are very familiar with the work of P&SA and its functions as an investigative and law enforcement agency. Therefore, if it meets with the approval of the chairman and the other members of the subcommittee, I will make only a very brief oral statement and then request that the entire statement be submitted for the record.

Mr. Whitten. It shall be done.

[Clerk's Note.—The full text of Mr. Jones prepared statement appears on pages 147 through 159. The explanatory notes appear on pages 160 through 174.]

FINANCIAL PROTECTION

Mr. Jones. The financial problems encountered by market agencies, including auction markets, dealers, and packers, continue to demand special priority on the part of the agency. There continues to be significant financial failures by firms in each of these operational categories. Check-kiting schemes have been encountered in the enforcement of the act over the years. However, such schemes have come prominently to the forefront of late.

In one such case, involving an auction market in Texas and one in Oklahoma, the agency was directly responsible for 100 percent, less attorney's fees, being paid to the consignees to the two markets.

The subcommittee will be interested to know that in Fiscal Year 1985 cash sellers of livestock collected $3.9 million from 20 packers under the statutory packer trust provision of the act; and since the adoption of the trust in 1976, over $27.3 million has been paid to cash sellers.

As livestock, meat, and poultry production and marketing continue to change, agency programs and operations are reviewed and adjusted to meet the needs of the industry in harmony with the statutory authority.

The effort on the part of P&SA to adjust its work priorities and enforcement programs is evidence of its sensitivity to changes in the livestock, meat, and poultry industries.

BUDGET REQUEST

Now, Mr. Chairman, a statement with respect to the budget request for Fiscal Year 1987. It is not greatly different from the 1986 budget. The request for 1987 is $9,093,000, and this is a net decrease of $40,000 from Fiscal Year 1986. The net decrease consists of savings in management costs, primarily consisting of improved travel management and reduction of administrative support costs.

USER FEES

The budget also proposes to finance the Packers and Stockyards program on a user fee basis. The proposed legislation required to implement the fee program is being submitted to the Congress.

Mr. Chairman, I thank you for the opportunity to present this statement, and I shall respond to any questions that you and other members of the subcommittee may have.

AGENCY ACTIVITIES

Mr. WHITTEN. Have you had any new developments or any surprising changes during the last year of operation, or is it about the same as what you've been accustomed to?

Mr. JONES. We have had many financial failures in the industry, and that goes back beyond even last Fiscal Year. This has required that we step up that priority and actually devote more and more of our resources to that financial protection area. This would include auction markets and dealers.

We have had a situation here where auction markets were purchased during the times of high interest rates and then with the reduction in livestock they sometimes get into cash flow problems. The same thing is true with dealers. And over the last year on the packer end we've had as high as 10 packer trust cases going on at one time. So the major difference here would be in the increases in financial failures and financial problems.

SANCTION POLICY

Mr. Whitten. You have carried out your duties for quite a while with cease-and-desist orders. Do you still operate that way on the first offense for things of that sort?

Mr. Jones. No, sir.

Mr. Whitten. You have changed that approach?

Mr. Jones. As you well know, before 1976 the only really viable sanction that we had with respect to packers was the cease-and-desist order, and then if they violated those orders, it was considered a criminal violation. However, since 1976, with the institution of civil penalties and with the bonding of packers, it has resulted in the beefing up of the sanctions—since I have been with the agency we have emphasized increasing the sanctions because we simply want to get the person's attention the first time around and not have that same operation coming back across the desk more than once.

Typically now, if we're talking about auction markets or dealers, we are imposing a rather severe suspension order coupled, in many cases, with civil penalties and certain other provisions as well.

In an attempt to encourage restitution where people are due funds, we oftentimes will ask for a suspension order with a big part of that suspension set aside if restitution is made. We have a case like that now with a feedlot where we're asking for a $100,000 fine and will set that entire civil penalty aside if restitution is made to the feeders that have been harmed.

In the case of packers, the packer trust section has proved to be very effective in financial failures. In such cases we typically put a significant civil penalty on with the order.

I know you're thinking about the old cease-and-desist order, because we've talked about that. It's something like spanking a boy with an empty paper bag. But we've gone far beyond that stage now.

AGENCY ORGANIZATION

Mr. Whitten. That's good. For a long time we had complaints here that people couldn't get to your organization with their problems as far as going out of the normal channel. They said you never could get to where the problem was.

You operate as independent agents, more or less, do you not?

Mr. Jones. We do, Mr. Chairman, and we have an absolutely open-door policy. Anyone can come and talk to us at any time. We actually receive most of our leads from competitor complaints, and I think the country feels very comfortable in talking to our people. We do not reveal sources of complaints, and so I think that has worked very well.

Mr. Whitten. I compliment you on it. I know in recent years I have had no complaints. And it's kind of like a school or church—if you don't hear complaints, it's pretty well run.

AGENCY ACTIVITIES

Please provide a brief description of the various types of individuals and establishments subject to the Packers and Stockyards Administration Act and the total numbers of such individuals and establishments, including your best estimates for the total number of meat distributors, brokers, and dealers.

Mr. JONES. I would be glad to supply that information for the record.

[The information follows:]

Stockyard owner.—Anyone who operates a public stockyard in which livestock is received and held for sale or shipment in commerce is a stockyard owner. This includes the owners of terminal stockyards and auction markets. There are approximately 1,800 stockyards.

Market agency selling on commission.—Any person engaged in selling livestock on a commission basis. A market agency selling on commission sells livestock as the agent of the consignor, collects the selling price from the buyer, and pays the proceeds to the consignor less his marketing charges.

Market agency buying on commission.—Any person engaged in buying livestock on a commission basis for the account of others.

Dealer.—Any person, not a market agency, engaged in the business of buying or selling livestock either for his own account or as an agent for the vendor or purchaser.

There are approximately 7,460 livestock dealers and market agencies buying and selling on commission.

Packer buyer.—A dealer employed by a packer to purchase livestock for the account of the packer employer. There are approximately 2,690 packer buyers.

All of the following are subject to the act as meat packers:

Slaughterers.—A person or firm that buys livestock in commerce for slaughter.

Meat processors.—A person or firm that manufactures and prepares meat and meat food products which includes fabricators, boners, sausage manufacturers; portion control manufacturers; canners, frozen food manufacturers; and hotel, restaurant and institutional purveyors. There are approximately 6,600 slaughtering and processing packers.

Wholesale meat marketers.—A person or firm engaged in the business of marketing meat and meat food products as wholesalers. There are approximately 6,500 meat marketers which include the following types of firms:

Broker.—A firm that acts as an agent between manufacturer or dealer and a customer. Some brokers handle only meat while others handle meat and other food products.

Dealer.—A firm that purchases meat for speculative resale. It may not process meat or even take physical possession of meat. The dealer can be involved in domestic trading, importing and exporting. The product sold may be in cold storage or shipped directly from the manufacturer or supplier to the dealer's customers.

Distributor.—A firm that acts as a wholesaler distributing meat and meat food products from a warehouse. Includes retail food chainstores, voluntary or cooperative groups, etc.

Poultry dealers and handlers.—Persons or firms engaged in the business of buying or selling live poultry. There are approximately 250 poultry operators subject to the Act.

Mr. WHITTEN. What is the value of livestock, meat and poultry subject to the Act?

Mr. JONES. The wholesale value of livestock, meat, and poultry subject to the Act is in excess of $60 billion each year.

Mr. WHITTEN. Last year you stated that you had recently added a vulnerability assessment to the agency-wide information system. Would you please provide a description of how the vulnerability assessment works and the results of its use to date?

Mr. JONES. The vulnerability assessment is a process of "self-evaluation" whereby the agency reviews various units, systems and/or programs to determine its susceptibility to waste, loss, or misuse of resources. The vulnerability assessment applied to the Agencywide Information Management System resulted in a few minor discrepancies being noted and corrective action has been taken.

Mr. **Whitten**. Please provide the most recent issue of "Packers and Stockyards Resume" for the record.

Mr. **Jones**. I would be glad to provide that information.

[The information follows:]

Packers and Stockyards Resumé

United States Department of Agriculture
Packers and Stockyards Administration Washington, D.C. 20250
Vol. 23 No. 1 January 1986

ADMINISTRATIVE ACTIONS

COMPLAINTS ISSUED:

(Complaints are only allegations stating that "there is reason to believe" the P&S Act was violated. The respondent will have an opportunity for a formal hearing on the charges. After the hearing, the Administrative Law Judge will render an initial decision based upon the evidence presented.)

6538 Mark V. Porter, Sunnyside, Washington - Amended complaint filed 1/6/86 adding the allegation that respondent has continued to engage in business as a dealer and market agency without having and maintaining an adequate bond or its equivalent as required by the Act.

6656 Tom Nix, Anson, Texas - Complaint filed 1/2/86 alleging respondent has continued to engage in the business of a dealer buying and selling livestock in commerce for his own account without maintaining an adequate bond or its equivalent as required by the Act.

6657 D&E Feeder Pigs, Ltd., and Darrell Wessels, Clarksville, Iowa - Complaint filed 1/2/86 alleging respondents: (1) failed to pay; (2) failed to pay, when due; (3) issued insufficient funds checks in payment for livestock; and (4) failed to keep and maintain records which fully disclose livestock transactions.

6658 Bobby M. Hacker, Valdosta, Georgia - Complaint filed 1/2/86 alleging respondent has continued to engage in the business of a dealer and market agency buying livestock in commerce on a commission basis without maintaining an adequate bond or its equivalent as required by the Act.

6659 George County Stockyard, Inc., and M. H. Pitts, Lucedale, Mississippi - Complaint filed 1/8/86 alleging respondents: (1) operated without adequate bond; (2) failed to properly maintain and use its custodial account; (3) failed to pay, when due; and (4) failed to maintain accounts and records which fully disclose all livestock transactions.

6660 Giles and Stratton Auction, Inc., d/b/a Livestock Producers, Floyd Giles and Ronnie Stratton, Bossier City, Louisiana - Complaint filed 1/8/86 alleging corporate respondent is insolvent and operated while insolvent. It further alleged respondents: (1) failed to maintain and properly use the custodial account; (2) had shortages in the custodial account; (3) misused shippers' proceeds; (4) used false names when consigning their own livestock to the market; (5) prepared buyers' bills using false names; and (6) allowed their auctioneer to purchase out of consignment for speculative purposes.

6661 Robert Hibberd, Kearney, Nebraska - Complaint filed 1/9/86 alleging respondent has continued to engage in business as a market agency buying livestock in commerce on a commission basis without maintaining bond coverage or its equivalent as required by the Act.

6662 George Watts, Roswell, New Mexico - Complaint filed 1/13/86 alleging respondent has continued to engage in business as a dealer buying and selling livestock in commerce for his own account without maintaining an adequate bond or its equivalent as required by the Act.

6664 Richard Todd, Afton, Oklahoma Complaint filed 1/17/86 alleging respondent, d/b/a Circle T. Livestock, has continued to engage in the business of a dealer buying and selling livestock in commerce for his own account without maintaining an adequate bond or its equivalent as required by the Act.

6665 Paul Jolley, Doyle, Tennessee Complaint filed 1/17/86 alleging respondent has failed to pay, when due, the full purchase price of livestock.

6666 Oscar Black, III, and Custom Cattle Company, Inc., Purvis, Mississippi - Complaint filed 1/17/86 alleging that Custom Cattle Company under the management, direction and control of Oscar Black, III, failed to pay and failed to pay, when due, for livestock purchases.

6667 Herron Packing Company, Inc., Knoxville, Tennessee - Complaint issued 1/21/86 alleging that respondent purchased livestock for slaughter and failed to pay, when due, the full purchase price of such livestock.

6668 Ole Salem Packing Co., Inc., and Gregory H. Mitchell, Picayune, Mississippi - Complaint issued 1/22/86 alleging that respondents failed to pay, when due, the full price of livestock purchased for slaughter.

6672 Jerry L. Finley, Fort Smith, Arkansas - Complaint filed 1/31/86 alleging respondent: (1) operated as a livestock dealer without maintaining an adequate bond or its equivalent; (2) issued insufficient funds checks or drafts in payment for livestock; and (3) failed to pay, when due, for such livestock.

CONSENT DECISIONS:

(This section includes consent decisions issued by the Administrative Law Judges and represents completed actions. Consent decisions do not constitute an admission that respondents have violated the P&S Act but are binding in requiring respondents to cease and desist from the practices prohibited by the order. Consent decisions cannot be appealed.)

6252 Meathouse, Inc., Gene Thorpe, and Russell Thorp, Monroe, Washington - Consent decision and order issued 1/24/86 ordering respondents to cease and desist from: (1) purchasing livestock in commerce while insolvent unless corporate respondent pays full purchase price for livestock at time of purchase by U.S. currency, by cashier's check or wire transfer; (2) issuing insufficient funds checks for livestock; and (3) failing to make payment or failing to mail a check, where the seller has agreed in writing that payment may be made by the mailing of a check, before the close of the next business day following the purchase of livestock and transfer of possession. Respondents shall prepare and maintain accounts and memoranda which fully and correctly disclose all transactions. Respondents were jointly and severally assessed an $8,000 civil penalty, with $7,000 to be held in abeyance for 5 years provided that, if respondents violate the order in any manner, the full amount of civil penalty shall become due and payable.

6418 Grant City Livestock Market, Inc., and George Young, Grant City, Missouri - Consent decision filed 1/23/86 ordering respondents to cease and desist: (1) operating while insolvent; (2) failing to properly maintain their custodial account; (3) misusing custodial funds; and (4) failing to maintain adequate records. Corporate respondent suspended 14 days and thereafter until the custodial shortage and insolvency are corrected. Individual respondent suspended 14 days.

6438 Corporate Capital Company, Inc., and John F. McNeely, Los Angeles, California - Consent decision filed 1/10/86 ordering respondents to cease and desist: (1) issuing insufficient funds checks; (2) failing to pay, when due, the full purchase price of livestock;

(3) failing to pay the full purchase price of livestock; (4) misrepresenting the actual amount of the buying commission in the purchase of livestock; (5) collecting monies on the basis of false or misleading representation as to price of livestock; (6) collecting deposits in connection with a livestock agreement and failing to remit such deposits to the owners if respondents fail to comply with the terms of such agreement; and (7) entering into an agreement to lease livestock where such agreement contains false, invalid or misleading provisions or where such agreement is in direct conflict with the respondents' rights in the livestock. Respondents prohibited from operating subject to the Act for 10 years.

6460 Crissman, Inc., and Jack G. Crissman, Castanea, Pennsylvania - Consent decision issued 1/24/86 ordering respondents to cease and desist from: (1) failing to pay; and (2) failing to pay, when due, for meat and meat food products. Respondents assessed a $30,000 civil penalty, jointly and severally.

6474 Linsey E. Eckert, Ronald T. Bowman and George Young, Maquoketa, Iowa - Consent decision filed 1/22/86 with respect to Ronald T. Bowman and George Young ordering them to cease and desist: (1) failing to pay, when due, the full purchase price of livestock; (2) failing to pay the full purchase price of livestock; and (3) engaging in business in any capacity for which bonding is required under the Act without filing a reasonable bond or its equivalent. Respondents Bowman and Young suspended 7 days and assessed jointly and severally a $4,000 civil penalty.

6505 Jimmie A. Brown, Diamond, Missouri - Consent decision filed 1/9/86 ordering respondent to cease and desist: (1) engaging in business in any capacity for which bonding is required without filing and maintaining a reasonable bond or its equivalent; and (2) failing to pay, when due, the full purchase price of livestock. Respondent ordered to keep records which fully disclose all livestock transactions subject to the Act and is suspended 90 days and thereafter until he is in compliance with the bonding requirements.

6512 Pieter Vander Zwan, Chino, California - Consent decision filed 1/2/86 ordering respondent to cease and desist: (1) operating while insolvent; (2) failing to properly maintain his custodial account; (3) failing to pay, when due, for livestock purchases; (4) failing to pay the full purchase price of livestock; (5) issuing insufficient funds checks in payment of livestock; and (6) failing to remit, when due, net proceeds from the sale of consigned livestock. Respondent ordered to create and maintain records which will fully disclose all business transactions subject to the Act. Respondent suspended 60 days and until the deficit in the custodial account is eliminated and he demonstrates solvency.

6528 James E. Suhr, Walnut, Iowa - Consent decision filed 1/6/86 ordering respondent to cease and desist engaging in business in any capacity for which bonding is required under the Act without filing and maintaining a reasonable bond or its equivalent. Respondent suspended until such time as he complies fully with the bonding requirements and is assessed a $750 civil penalty.

6537 Doug Welch d/b/a W. W. Garry, Michael Benson, Marlowe K. Benson, Wagner-Hudson Livestock Marketing Agency, Inc., Roger D. Koch Corporation d/b/a Switzer-Wagner & Co., and Switzer-Bar 10, and Roger D. Koch, Sioux City, Iowa - Consent order with respect to respondent Doug Welch filed 1/6/86 ordering him to cease and desist engaging in any practice which operates as a fraud upon livestock consignors, principals, market agencies or any person in connection with the purchase and sale of livestock. Respondent Welch suspended 6 months and assessed a $10,000 civil penalty.

6581 Doyle Harms, Redfield, South Dakota - Consent decision filed 1/9/86 ordering respondent to cease and desist engaging in business in any capacity for which bonding is required without filing and maintaining a reasonable bond or its equivalent. Respondent assessed a $1,000 civil penalty.

6582 Glen L. Schultz, Watertown, Wisconsin - Consent decision filed 1/13/86 ordering respondent to cease and desist engaging in business in any capacity for which bonding is required under the Act without filing and maintaining a reasonable bond or its equivalent. Respondent assessed a $400 civil penalty. He is now in compliance with the bonding requirements.

6604 James E. Chapman, Terry, Mississippi - Consent decision filed 1/2/86 ordering respondent to cease and desist engaging in business in any capacity for which bonding is required under the Act without filing and maintaining an adequate bond or its equivalent. Respondent assessed a $900 civil penalty and suspended until he complies fully with the bonding requirements.

6619 Joseph Eich, Mendota, Illinois Consent decision filed 1/16/86 ordering respondent to cease and desist: (1) issuing insufficient funds checks in payment for livestock; (2) failing to pay, when due, for livestock purchases; and (3) failing to pay for livestock purchases. Respondent suspended as a registrant subject to the Act for 120 days.

6641 Horace W. McCurdy, Jay, Florida - Consent decision filed 1/16/86 ordering respondent to cease and desist: (1) properly maintaining his custodial account for shippers' proceeds; (2) issuing insufficient funds checks to consignors; and (3) failing to remit proceeds from the sale of consigned livestock when due. Respondent suspended as a registrant subject to the Act for 28 days.

6649 D. M. "Nick" Smith, Dalhart, Texas - Consent decision filed 1/22/86 ordering respondent to cease and desist engaging in business in any capacity for which bonding is required under the Act without filing and maintaining a reasonable bond or its equivalent. Respondent assessed a $1,000 civil penalty.

REPARATION ACTIONS

(Anyone who believes that some action of a dealer, market operator or commission agent subject to the P&S Act has caused him loss or damage may petition the Secretary within 90 days after the transaction complained of has taken place for reparation (damages). After investigation, the complaint may be docketed and arrangements made for a hearing. If the complaint is upheld, reparation will be granted. Reparation awards, if not paid, can be sued upon in a U.S. district court.)

COMPLAINTS DOCKETED:

6663 James McCormack d/b/a McCormack Brothers, Aurora, Colorado vs. Shelly Stober, Stacy Stober, Richard Stober d/b/a Santa Ynez Livestock Market, Buellton, California - Complaint filed 1/14/86 alleging damages in the amount of $38,124 for failure to complete delivery for contracted cattle.

FINAL ORDERS: None.

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COURT ACTIONS

(These cases represent decisions as handed down in the U.S. District Courts as a result of P&SA investigations referred by the Office of General Counsel to the Department of Justice.)

6-3-86 Alan Parker, d/b/a Tampa Horse Sales, Thonotosassa, Florida - Consent judgment filed 1/9/86 in U.S. District Court, Middle District of Florida, Tampa Division, in which defendant was ordered to comply with all provisions of the P&S Act and regulations, including those provisions concerning the filing of all reports with the Secretary of Agriculture, for so long as defendant remains subject to that Act. Defendant fined $1,000.

Mr. WHITTEN. How many subpoenas did you request in 1985 and 1986 for individual and business bank accounts?

Mr. JONES. In fiscal year 1985, 108 subpoenas were issued to banks for individual and business bank accounts. Forty-eight subpoenas have been issued to date in fiscal year 1986.

BUDGET REQUEST

Mr. WHITTEN. Please provide an explanation of the proposed 64 percent increase in the object class of communications, utilities and miscellaneous charges between 1985 and 1987.

Mr. JONES. Program plans for increasing the number of financial investigations conducted by contracting with private accounting firms resulted in an estimated increase in communications, utilities, and miscellaneous charges. Expected increases in communication charges resulting from plans to increase the ADP activities and data transmission between offices also increased the estimate for communications, utilities, and miscellaneous charges.

Mr. WHITTEN. Please explain the 39 percent increase between 1985 and 1987 for other services and the 50 percent increase for supplies and materials for the same time period.

Mr. JONES. The increases between 1985 and 1987 for other services and also for supplies and materials are primarily the result of program plans to increase the number of financial investigations conducted by contracting with private accounting firms. These plans have been discontinued, however, due to sequestered funds under the Balanced Budget and Emergency Deficit Control Act and the actual costs in 1986 and 1987 will be less than the estimates.

Mr. WHITTEN. Please explain the estimated three-fold increase for former personnel.

Mr. JONES. The increase in the estimate for former personnel is the result of relocating the Regional Office in North Brunswick, New Jersey, to Lancaster, Pennsylvania, in December 1985.

Mr. WHITTEN. What additional requirements do the Packers and Stockyards Administration have as a result of the Food Security Act of 1985? What additional costs will be incurred by the agency in 1986 and 1987 as a result?

Mr. JONES. The Food Security Act of 1985 gives the States the option of establishing "central filing systems" for the purpose of pre-notifying buyers, commission merchants, and selling agents of security interests against "farm products." The Secretary of Agriculture is given the responsibility to prepare and issue regulations to certify those systems which meet the criteria set forth in the statute. The Secretary has delegated this responsibility to the Administrator of the Packers and Stockyards Administration. P&SA will prepare and issue regulations as required by the Act, and will carry out the Secretary's responsibilities under the Act to certify central filing systems established and implemented in conformance with the requirements of the Act. Additional costs in the amounts of $80,000 for FY 1986 and $125,000 for FY 1987 will be incurred. In addition, appropriation language would be required authorizing P&SA to carry out Section 1324 activities.

PROPOSED LEGISLATION

Mr. WHITTEN. The 1987 budget proposes to establish user fees to cover the full cost of agency operations. Is it not somewhat difficult to assess user fees for the law enforcement and investigative activities of the agency?

Mr. JONES. At the present time the agency is giving consideration of the assessment of the fee at the slaughter level. Theoretically, with this approach the fee would not be paid by the slaughterer, but would be passed to the producer or the consumer depending on market conditions. With this approach, the difficulties of assessing user fees for a law enforcement and investigative agency are somewhat minimized, since the fees are not paid directly by those who are being regulated.

Mr. WHITTEN. Have you drafted a plan for assessing such fees? If so, please provide a copy for the record. Has legislation to establish such fees been submitted?

Mr. JONES. A detailed plan for the assessment of user fees has not been worked out at this time. However, the agency anticipates assessing the fee at the slaughter level. This approach would permit the slaughterer to pass the cost either to the producer or the consumer or both depending on the market conditions.

The legislation necessary to implement user fees has been developed and is now in the process of review. The legislation will then be submitted to the Congress.

LIVESTOCK MARKETING

Mr. WHITTEN. Please submit for the record a table which will show, by State, and the current license, bond, trustee and prompt payment laws of auction markets, dealers and packers.

Mr. JONES. I would be glad to supply that information for the record.

[The information follows:]

State license, bond, trustee, and prompt laws
as of March 1, 1986

State	Auction Markets				Dealers				Packers			
	License	Bond minimum/ maximum	Trustee	Prompt pay	License	Bond minimum/ maximum	Trustee	Prompt pay	License	Bond minimum/ maximum	Trustee	Prompt pay
Alabama	Yes	$10,000 $30,000	Yes	Yes	Yes	$10,000 $30,000 +10%	Yes	Yes 26/	Yes	$10,000 $30,000 +10%	Yes	Yes 26/
Alaska	No	No	No	No	No	No	No	No	No	No	No	No
Arizona	No	No	No	No	No	No	No	No	No	No	No	No.
Arkansas	No	No	No	No	No	No	No	No	No	No	No	No
California . . .	Yes	31/	No	Yes 29/	Yes	1 31/	No	Yes 30/	Yes	1/ 31/	No	Yes 30/
Colorado	Yes 25/	$25,000	Vol.	Yes 8/	Yes	$2,000 $200,000	Vol.	Yes 26/	Yes	$2,000 $200,000	Vol.	Yes 26/
Connecticut . . .	Yes	$10,000	No	Yes	Yes	$10,000	No	Yes	No	$10,000	No	Yes
Delaware	No	No	No	No	No	No	No	No	No	No	No	No
Florida	No	P&S bond	No	No	No	$1,000 $50,000	No	No	No	$1,000 $50,000	No	No
Georgia	Yes	$30,000 +20%	Yes	Yes	Yes	$10,000 $75,000 +10%	Yes	Yes	No	$1,000 $50,000 23/	Yes	Yes
Hawaii	No	No	No	No	No	No	No	No	No	No	No	No
Idaho	2/	$10,000 P&S formula	No	No	Yes	No	No	No	3/	No	No	No
Illinois	Yes	$10,000 P&S formula	Yes	No	Yes	$6,000 4/ 3-day avg.	Yes	No	Yes	$6,000 $50,000 +15%	Yes	Yes
Indiana	Yes	$2,000 P&S formula	No	No	Yes	$2,000 5/ P&S formula	No	No	Yes	$2,000 5/ P&S formula	No	No
Iowa	No	No	No	No	Yes 6/	$10,000 6/	No	Yes 7/	Yes	$5,000 7a/	Yes	Yes 7/
Kansas	Yes	$20,000	Yes	Yes	No	No	No	No	No	No	No	Yes
Kentucky	Yes	$2,000 $10,000	Vol.	No	Yes	$2,000 $10,000 5/	Vol.	No	Yes	$2,000 $10,000 5/	Vol.	No
Louisiana	Yes	$10,000	Yes	No	Yes	$5,000	Yes	No	No	No	No	No
Maine	Yes	No	No	No	Yes	No	No	No	No	No	No	No
Maryland	No	No	No	No	No	No	No	No	No	No	No	No
Massachusetts . .	No	No	No	No	Yes	No	No	No	No	No	No	No
Michigan	Yes	$1 [illegible] 17/	Vol.	No	Yes	No	No	No	No	No	No	No
Minnesota	Yes	Yes $10,000 P&S formula	Yes	No	Yes	Yes $5,000 P&S formula	Yes	No	Yes	Yes $10,000 P&S formula	Yes	No
Mississippi . . .	Yes	$10,000	No	No	Yes	$10,000 9/	No	No	Yes	$10,000 9/	No	No
Missouri	Yes	Yes $2,000 or as designated	Yes	No	Yes 10/	No	No 18/	No	Yes 10/	No	No 18/	No
Montana	Yes	Yes $10,000	Vol.	No	Yes	Yes $5,000 P&S formula	Vol.	No	Yes	Yes $5,000 P&S formula	Vol.	No
Nebraska	Yes	$10,000 P&S formula	No	No	Yes	$5,000 P&S formula	No	Yes 11/	Yes	$5,000 11a/	No	Yes 11/
Nevada	Yes	$10,000 $100,000	Yes	Yes 28/	Yes	$10,000 $100,000	Yes	Yes 27/	Yes	$10,000 $100,000	Yes	Yes 27/
New Hampshire . .	Yes	No	No	No	Yes	No	No	No	No	No	No	No
New Jersey . . .	Yes	No	No	No	Yes	No	No	No	Yes	No	No	No
New Mexico . . .	Yes	Yes $10,000 P&S formula	Vol.	Yes	No	No	No	No	Yes	$1,000	Yes	No
New York	Yes	$5,000 $200,000	No	Yes 15 days	Yes	$2,000 $200,000	No	Yes 15 days	Yes	$2,000 $200,000	No	Yes 15 days

Continued

State license, bond, trustee, and prompt laws
as of March 1, 1986 —Continued

State	Auction markets				Dealers				Packers			
	License	Bond minimum/ maximum	Trustee	Prompt pay	License	Bond minimum/ maximum	Trustee	Prompt pay	License	Bond minimum/ maximum	Trustee	Prompt pay
North Carolina .	Yes	P&S bond	No	Yes	Yes	No	No	Yes 26/	No	No	No	Yes 26/
North Dakota . .	Yes	Yes $10,000 P&S formula	Yes	No	Yes	Yes 5,000 P&S formula	Yes	No	Yes	Yes $10,000 P&S formula	Yes	No
Ohio	Yes	$10,000 12/	No	No	Yes	$10,000 12/	No	No	Yes	$10,000 $50,000 +10%	No	No
Oklahoma	Yes 20/	Yes $5,000 P&S formula	No	No	No	No	No	Yes 19/	No	No	No	Yes
Oregon	Yes	$10,000 P&S formula	Vol.	No	No	$5,000 P&S formula	Vol.	No	Yes	$20,000 13/	No	Yes
Pennsylvania . .	Yes	No	Vol.	No	Yes	No	Vol.	No	Yes	No	No	No
Rhode Island . .	No	$10,000	No	No	No	$10,000	No	No	Yes	$10,000	Yes	No
South Carolina	No	No	No	Yes	No	No	No	Yes	No	No	No	Yes 26/ P&S reg.
South Dakota . .	Yes	Yes $20,000 P&S formula	Yes	No	Yes	Yes $5,000 P&S formula	Yes	No	Yes	Yes $5,000 P&S formula	Yes	Yes 15/
Tennessee . . .	Yes	$10,000 $25,000	Vol.	No	Yes	No	No	No	No	No	No	No
Texas	No	$2,000 $50,000 +10%	No	Yes 48hrs	No	No	No	Yes 21/	No	No	No	Yes 21/
Utah	Yes	$5,000 $100,000	Vol.	Yes 8/	Yes	$5,000 $100,000	Vol.	Yes 24/	Yes	$5,000 $100,000	Vol.	
Vermont	Yes	$5,000 $150,000	Yes	Yes 22/	Yes	$5,000 $150,000	Yes	Yes 22/	Yes	$5,000 $150,000	Yes	Yes 22/
Virginia	No	No	No	No	No	No	No	No	No	No	No	No
Washington . . .	Yes	$10,000 P&S formula	Yes	Yes 16/	Yes	$7,500 P&S formula	Yes	Yes 16/	Yes	$7,500	Yes	Yes 16/
West Virginia .	Yes	Yes P&S bond	Yes	No	No	No	Vol.	No	No	No	No	No
Wisconsin . . .	Yes	No	No	No	Yes	No	No	No	No	No	No	No
Wyoming	Yes	$25,000 P&S bond	Vol.	No	No	No	No	No	No	No	No	No

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1/ License and bond required only of dealers and packers who purchase direct from producers, California.
2/ No license required of auctions, but pay fee for charter, Idaho.
3/ Packers are licensed by State Tax Commissioner, Idaho.
4/ $6,000 minimum bond - maximum $50,000 + 15% of excess. Three-day average business used in computing bond, Illinois.
5/ License and bond required only of dealers and packers who own and operate buying stations, Kanutcky and Indiana.
6/ Feeder pig dealers only, Iowa.
7/ Requires dealers, order buyers and packers who buy for slaughter to pay by the close of the next business day, Iowa.
7a/ $5,000 minimum - 2 full days average purchases, Iowa, no maximum.
8/ 10 days, Colorado and Utah.
9/ Requires bond of dealers and packers who use scales to purchase livestock, Mississippi.
10/ Requires license and bond of dealers and packers who operate buying stations only, Missouri.
11/ Requires dealers, order buyers and packers to pay by close of next business day, Nebraska.
11a/ Must purchase 500 animal units (1 cattle, 3 calves, 5 hogs, 10 sheep) other than through selling agency who is bonded. Shall not be less than the next multiple of $5,000 above the average of all purchases from Nebraska residents during a period equivalent to 2 business days.
12/ Bond computed on basis of an average of the 10 highest days business, Ohio, 250 cattle or 500 small stock.
13/ Law effective 1-1-76 — Packers will be required to file minimum bond of $20,000; no maximum, Oregon. Sellers of livestock will have priority claims over other creditors 2-days'average, no maximum.
14/ Packers may file satisfactory financial statement in lieu of bond, South Carolina.
15/ Licensed packers required to pay 80% of purchase price at time of delivery (on grade and weight purchases, if requested by seller, South Dakota.
16/ Prompt pay law - 30 days unless otherwise agreed on.
17/ Bond required on basis of 1 week's volume of business up to $25,000 - $1,000 additional bond for each additional $5,000 business in excess of $25,000.
18/ Missouri laws requires trustee, but is not named on executor of bond. State will act as trustee if claims are filed.
19/ Livestock dealers subject to prompt pay law only if they purchase livestock for slaughter, Oklahoma.
20/ Auction markets required to obtain annual license, $25,000 fee also required to have $5,000 bond, but bond is waived if auction has P&S bond, Oklahoma.
21/ Dealers and packers required to pay for slaughter livestock on date of transfer of title.
22/ Vermont - 72 hours from time of purchase.
23/ Bond must not be less than 1/25 of total annual purchases with maximum of $50,000. (Section 62-1903 Ga. Code requires bonds of dealers and packers buying at sales establishments, but bond form is written to cover all purchases made in Georgia).
24/ 30 days from delivery or as specified in contract, Colorado and Utah.
25/ Colorado has 2 laws: (1) for commission merchants, maximum bond of $50,000 and (2) for public livestock markets, minimum bond of $25,000.
26/ Law places responsibility on auction market to collect purchase price of livestock on [illegible] of sale, cash, check, or draft, Alabama, Georgia, North Carolina, and South Carolina.
27/ Dearlers and packers required to pay within 30 days from date of delivery or within time specified in contact, Nevada.
28/ Required to pay within 10 days after receipt of money by commission merchant, Nevada.
29/ Remit within 10 days unless otherwise agreed to in writing, California, selling agencies.
30/ Shall pay within 30 days from delivery or as specified in contract, California, packers and dealers.
31/ Pay into a State administered trust fund, will pay 50% of claims up to $25,000.

GRADE AND WEIGHT

Mr. WHITTEN. On page 21g-1 of the notes you cite the conclusion of a major effort to improve hog slaughterers grade and yield programs and further cite a series of accomplishments. Have those improvements been implemented, and do these improvements alleviate the concerns expressed in your 1984 report on grade and yield marketing of hogs, specifically the concerns of misinterpretation and/or deception that could occur because of the complexity of accounting systems?

Mr. JONES. The improvements sought as a result of the agency's recent study of major hog slaughterers grade and yield procurement program have been implemented. The changes in packer's accounting procedures and format, simplify and standardize the seller's accounting and eliminate the areas of potential misinterpretation and/or deception.

MEAT MARKETING

Mr. WHITTEN. On 21g-2 of the notes you state that complaints are being received which indicate certain meat processors are using unfair pricing practices, such as below cost selling. Without identifying individual firms, have you investigated these complaints? If so, were the complaints substantiated and what were the results of your investigations?

Mr. JONES. Investigations have been conducted of two meat processors for below-cost selling. In one case, there were occasions when the product was sold below cost. In the other investigation, no determination could be made. Appropriate corrective action is now being considered.

SCALES AND WEIGHING

Mr. WHITTEN. Please provide an update of the table on page 327 of last year's hearing regarding the ratio of false weights and investigatons.

Mr. JONES. I would be glad to furnish that information.

[The information follows:]

PACKERS AND STOCKYARDS ADMINISTRATION

Year	Investigations	False weights	Percent
1985	441	139	32
1984	339	124	37
1983	575	209	36
1982	674	104	21
1981	579	86	15
1980	493	85	17

Mr. WHITTEN. Also on page 21g-2 you state that you are developing new procedures to provide greater flexibility in conducting weighing investigations. Would you please provide a description of the new procedures?

Mr. JONES. The new procedures are variations on our direct sale procedures and are designed to overcome problems which developed with this procedure in some parts of the country. Using agency personnel to sell small odd lots of livestock is not as effective as it was at one time. Livestock is not widely marketed in this fashion today, and livestock producers in an area are generally known to the personnel being investigated.

The new procedures involve using local producers to sell the livestock for the Agency. There are several variations on this procedure, depending on circumstances. The livestock may be owned by the Agency and sold by the producer acting on behalf of the Agency or it may be sold by the producer on his own behalf with the control weight obtained before sale and on a third party scale. Great care is taken not to compromise the producer in this type of investigation.

Mr. WHITTEN. On page 21g-5 of the notes you state the agency conducted 280 weighing investigations in fiscal year 1985. This number is significantly less than the 575 investigations conducted in fiscal year 1983 and the 339 investigations conducted in fiscal year 1984. Please explain the reasons for the decreases.

Mr. JONES. The 280 reported, which more accurately should have been 287, included only checkweighing and direct sale investigations of livestock. The tabulation for years 1980-1984 included all investigations where weight was a factor including audits for fraudulent weight manipulations, sample weighing of packers hooks and rollers for uniformity to determine accuracy of tare deductions and comparison of hot and cold carcass weights to determine if weighing is accurate. If included in the 1985 figures the total investigations would be 441 with 139 or, 32 percent showing false weights.

SANCTION POLICY

Mr. WHITTEN. Please provide for the record a list showing the administrative civil penalties imposed for fiscal year 1986.

Mr. JONES. I would be glad to supply that information for the record.

[The information covering fiscal year 1985 and fiscal year 1986 to date follows:]

PACKERS AND STOCKYARDS ADMINISTRATION

Fiscal year 1985 administration civil penalties imposed

Docket No.:	*Penalty Imposed*
5744	$4,500
5753	500
5979	20,000
6174	20,000
6179	1,000
6183	1,250
6190	25,000
6195	500
6209	5,000
6212	5,000
6217	5,000
6218	7,500
6219	750
6227	500
6233	2,500
6241	2,000
6253	750

	Penalty Imposed
6255	10,000
6282	500
6383	500
6385	25,000
6397	450
6402	1,000
6404	1,000
6405	1,750
6408	10,000
6411	500
6412	2,500
6414	400
6415	700
6416	500
6417	750
6420	12,000
6422	2,000
6426	500
6431	500
6432	1,000
6436	500
6439	2,500
6443	600
6450	2,500
6451	400
6456	500
6461	4,000
6462	500
6476	650
6479	45,000
6482	1,500
6486	1,800
6494	325
6495	7,000
6496	2,000
6498	5,000
6500	1,000
6501	500
6502	2,000
6506	600
6509	5,000
6521	3,000
6522	5,000
6524	3,000
6529	7,500
6533	2,500
6539	750
6550	1,500
6555	1,500

Fiscal year 1986 administration civil penalties imposed

Docket No.:	*Penalty Imposed*
5956	$10,000
6182	5,000
6190	25,000
6196	2,500
6252	8,000
6388	4,000
6427	25,000
6460	30,000
6474	4,000
6484	4,000
6488	25,000
6504	1,000
6527	3,000

	Penalty Imposed
6528	750
6529	30,000
6537	10,000
6541	3,000
6548	500
6552	500
6556	10,000
6580	3,000
6581	1,000
6582	400
6583	2,500
6590	1,000
6604	900
6618	350
6627	1,800
6649	1,000
6651	350
6661	500

Mr. WHITTEN. Please provide for the record a copy of the Statutory Trust Provision of the 1976 Amendments to the Packers and Stockyards Act and describe in some detail the operation of this Provision.

Mr. JONES. This section of the 1976 Amendment provides for a constructive statutory trust by operation of law when a packer purchasing over $500,000 annually fails to pay for livestock. One of the requirements is that the sellers make timely notification to the packer and P&SA. It is on this basis that the Agency makes an investigation when there is a payment problem by a packer. In conducting an investigation, the Agency makes an immediate contact with the packer to make the firm aware of the trust provision, and to make arrangements to conduct a detailed examination of the records. When Agency investigators conduct the investigation there are two extremely critical objectives: (1) determining unpaid sellers of livestock and making them aware of the notification requirements, and (2) preventing the packer from dissipating trust assets. Agency personnel must determine the trust assets available and make certain that cash collections are maintained for the potential trust claimants. In some cases it is necessary for the Agency to seek a temporary restraining order or preliminary injunction in order to prevent irreparable harm to the sellers of livestock.

The Agency, as a matter of procedure, encourages the packer to recognize the priority of the trust and to handle the matter on an informal basis. Initially, there were legal challenges to the trust provision, as case law has developed; however, more trust situations are resolved on an informal basis. In cases where packers have formally filed for bankruptcy, the bankruptcy judges have for the most part handled the statutory trust claims. However, in some cases, extensive litigation has resulted in a delay in payment to unpaid livestock sellers. In some cases, unpaid sellers have pursued their interests under section 308 of the P&S Act which provides for a private right of action by anyone harmed by a violation of the Act relating to the purchase, sale, or handling of livestock.

P&SA is not a direct party to the litigation process involving the statutory provision whether the matter is in bankruptcy court or a private lawsuit in Federal District Court. The Agency does provide assistance through testimony by Agency personnel or through documentary information. Also, in most cases where there is litigation, the Agency through the Office of the General Counsel, does provide "amicus curiae" briefs.

The information requested on the Statutory Trust Provision of the 1976 amendments to the Packers and Stockyards Act will be submitted for the record.

[The information follows:]

SEC. 206. (a) It is hereby found that a burden on and obstruction to commerce in livestock is caused by financing arrangements under which packers encumber, give lenders security interests in, or place liens on, livestock purchased by packers in cash sales, or on inventories of or receivables or proceeds from meat, meat food products, or livestock products therefrom, when payment is not made for the livestock and that such arrangements are contrary to the public interest. This section is intended to remedy such burden on and obstruction to commerce in livestock and protect the public interest.

(b) All livestock purchased by a packer in cash sales, and all inventories of, or receivables or proceeds from meat, meat food products, or livestock products derived therefrom, shall be held by such packer in trust for the benefit of all unpaid cash sellers of such livestock until full payment has been received by such unpaid sellers: Provided, that any packer whose average annual purchases do not exceed $500,000 will be exempt from the provisions of this section. Payment shall not be considered to have been made if the seller receives a payment instrument which is dishonored: Provided, that the unpaid seller shall lose the benefit of such trust if, in the event that a payment instrument has not been received, within thirty days of the final date for making a payment under section 409, or within fifteen business days after the seller has received notice that the payment instrument promptly presented for payment has been dishonored, the seller has not preserved his trust under this subsection. The trust shall be preserved by giving written notice to the packer and by filing such notice with the Secretary.

(c) For the purpose of this section, a cash sale means a sale in which the seller does not expressly extend credit to the buyer. (7 U.S.C. 196)

Mr. WHITTEN. Please provide for the record a table which will show the total monetary result for penalties, fines, and judgments for 1986.

[The information follows:]

	Administrative civil penalties imposed	Fines and judgments imposed
Fiscal year 1985	$281,925	$44,625
Fiscal year 1986 (to date)	214,050	6,300

Mr. WHITTEN. Many of your enforcement actions end up with cease and desist orders and/or small fines. What is your judgement as to the effectiveness of such minor sanctions in deterring individuals or establishments from future illegal behavior?

Mr. JONES. Generally, enforcement actions which are concluded with a cease and desist order and a civil penalty of less than $1,000 involve operating without bond coverage or failure to pay. Orders always include a suspension of the firms registration until the firm obtains the required bond or corrects the insolvency. In some cases the agency may also seek a temporary restraining order to prevent the packer or registrant from purchasing livestock. Civil penalties on all other type cases concluded during 1985 ranged from $1,000 to $45,000. The agency's sanction policy is continually under review in order to be sure that it is, among other things, fair, uniformly applied, and that the sanction imposed is adequately severe to get the violator's attention the first time around so that it serves as a reasonable deterrent from future violations.

Mr. WHITTEN. What steps do you take to assure the results of your enforcement actions are well known to the regulated industry?

Mr. JONES. The agency, through its Information Office, issues factual press releases when complaints are issued and again when a cease and desist order is issued by an Administrative Law Judge. Coverage of the release is dependent upon the size of the firm and the area of operation. The press releases are generally picked up and printed by all trade publications.

All formal actions are also forwarded to interested parties in the form of a Resume. The Resume summarizes complaints and orders by docket showing the allegations, the provisions in the order and the civil penalty imposed.

BUDGET REQUEST HISTORY

Mr. WHITTEN. Please provide for the record a table identifying the amount of your budget request to the Assistant Secretary, the amount of the budget request submitted by the Assistant Secretary to the Secretary, the budget submitted by the Department to OMB including both staff years and dollars requested, and the OMB allowance for fiscal year 1987.

Mr. JONES. I would be glad to provide that information for the record.

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE, PACKERS AND STOCKYARDS ADMINISTRATION

Budget request history—FY 1987

[In thousands of dollars]

Request to the Assistant Secretary	$9,103
Request to the Secretary	$9,103
Request to OMB	$9,103
OMB allowance	[1] $9,093
Staff years	186
Staff years	186
Staff years	186
Staff years	185

[1] Full user fees requested in FY 1987.

Mr. WHITTEN. Please provide for the record a sub-object class display of expenditures for other services for 1986 and 1987.

Mr. JONES. I would be glad to provide that information for the record.

[The information follows:]

PACKERS AND STOCKYARDS ADMINISTRATION: OTHER SERVICES—SUB-OBJECT CLASSES, ESTIMATES FOR FISCAL YEAR 1986 AND 1987

		1986 estimate	1987 estimate
2500	Other Services	$110,500	$122,500
2512	NFC Services	48,000	48,000
2513	WCF Equip. Use	200	200
2514	Federal Protection Serv.	4,800	4,800

PACKERS AND STOCKYARDS ADMINISTRATION: OTHER SERVICES—SUB-OBJECT CLASSES, ESTIMATES FOR FISCAL YEAR 1986 AND 1987—Continued

		1986 estimate	1987 estimate
2515	Civil Defense	400	400
2516	Information Desk	500	500
2518	Design Center Services	1,000	1,000
2520	Pers. Related Expenditures	2,500	2,500
2521	Temp. Storage—Household Goods	4,000	4,000
2523	Training Tuition Fees	12,000	12,000
2528	Health Units	1,600	1,600
2530	Repr. and Maint. of Eqp	45,000	45,000
2535	Repr. and Maint. of Off. Eqp	9,500	9,500
2538	Telephone Equipment	5,000	5,000
2540	Cont. Serv.—Other	333,000	333,000
2559	Agreements—Other	8,000	8,000
2560	ADP-Processing Services	35,000	35,000
2570	Miscellaneous Services	5,000	5,000
2573	Evaluation of EXAD, PSDM, AMPS	300	300
2575	Other Non-Travel Expense	13,700	13,700
	Total	640,000	652,000

PACKER TRUST

Mr. WHITTEN. What is the best estimate of the remaining level of losses to producers who sell livestock on a cash basis to slaughtering packers?

Mr. JONES. Those losses at the present time would be very minimal. We have had some cases where there have been erosion of the trust assets, and we have had some cases where the trust assets have not been sufficient or perhaps the cash sellers have agreed to settle for less than 100 percent on the dollar in the interest of getting their money quicker. But these would be few, both with respect to erosion of trust assets and relation to the total and so the amount would be minimal in comparison to the 27.3 million that has been returned to them. The packer trust provision has been very successful, and it has been proved to be a very practical way of getting cash sellers paid.

Mr. WHITTEN. Mr. Skeen, any questions?

Mr. SKEEN. Thank you, Mr. Chairman.

Mr. WHITTEN. Will you yield to Mrs. Smith—here she comes now—if you don't mind.

Mr. SKEEN. Certainly.

Mrs. SMITH. Well, I am sorry, I had to go out and attend to a telephone call out there.

Mr. SKEEN. How is the President today?

Mrs. SMITH. Why don't you just go ahead—well, I wasn't talking to him today. I don't talk to him quite that often. [Laughter.]

Mr. SKEEN. She does such good work for the President, I think we ought to just keep her down there. [Laughter.]

Mrs. SMITH. You just go ahead and——

Mr. WHITTEN. I bet you she called the White House and told them she had it all taken care of.

Mr. SKEEN. Well, that's good then. [Laughter.]

Mr. JONES. She does a good job in Nebraska, too, Mr. Skeen.

Mr. **Skeen**. She sure does. And we're very appreciative of the work that Virginia does.

Mr. **Whitten**. I agree with that wholeheartedly.

FRAUDULENT PRACTICES

Mr. **Skeen**. The question I would like to ask is where, in your investigations, in what areas under your jurisdiction does most of the fraud occur, either amountwise or in instances, either one?

Mr. **Jones**. This would vary somewhat with the conditions that are in the industry.

Mr. **Skeen**. The economic conditions, yes.

Mr. **Jones**. But generally speaking, they will take place completely through the entire jurisdiction of the agency, which would range from the first marketing entity through the wholesale transaction on meat.

Typically, in a situation like we have now, when finances are tight, we have a lot of weighing violations. We encounter these in auction markets and dealers particularly short-weighing, and then in the converse of long-weighing to the packer So we have that kind of fraud.

Mr. **Skeen**. You do the inspections also——

Mr. **Jones**. Yes, we do.

Mr. **Skeen** [continuing]. On the weighing price?

Mr. **Jones**. The other thing that would come prominently to mind would be that we oftentimes in a case like this will have schemes set up whereby perhaps two dealers—well, I am just thinking of one case where two dealers in an auction market were involved and actually were creating false invoices to up the prices and increase the weight of livestock that were purchased before they went on to a packer. So we run into that kind of thing at that point. When we get into the packing segment——

COMPLAINTS

Mr. **Skeen**. Let me ask you right there, who do you get that original complaint from, the receiver, the buyer of the livestock or——

Mr. **Jones**. Well, we oftentimes will get that kind of a complaint from a competitor or someone who is buying at a market or——

Mr. **Skeen**. Oh, I see what you mean.

FRAUDULENT PRACTICES

Mr. **Jones** [continuing]. From the dealer. We oftentimes uncover it in another investigation. Maybe we'd go to do a custodial account investigation, and our people run onto leads of this kind in such cases.

When we get to packers, we find there again fraudulent activities, and again we find weighing violations also, short-weighing on the inbound side and sometimes long-weighing or a form of that on the outside.

We go on into the distribution segment, I would say that the most frequent fraudulent practice there would be commercial bribery. And we've had as many as 10 commercial bribery cases going on this past year, including New York, New Jersey, Philadelphia, one in the Midwest, and one involving air line buyers in Hawaii.

Mr. **Skeen**. Is it a kickback or just straight out bribery?

Mr. **Jones**. It's a kickback thing where a broker will sometimes bribe the buyer for a retail chain, for example. In some cases, we've found where a packer buyer would be paid off. You say why in the world would you ever pay a buyer off? Well, that's to get favored treatment when supplies are short or favorite price treatment when prices are moving.

Mr. **Skeen**. Is there any organized crime activity involved in this area, or would you rather not say?

Mr. **Jones**. Yes.

Mr. **Skeen**. I know I just read recently of the poultry situation with organized crime involved. And you're involved in those investigations as well?

Mr. **Jones**. We had a case against Perdue in its distribution practices in New York City. However, we did not go ahead and try the substantive issues, because it wound up being a jurisdictional fight, which is often the case in the poultry area.

OTHER AGENCY COOPERATION

Mr. **Skeen**. You mean you had to pass the case on to somebody else?

Mr. **Jones**. Well, all of our poultry cases have to be prosecuted by Justice, by U.S. attorneys.

Mr. **Skeen**. By Justice, yes. But then I didn't know whether you handled the——

Mr. **Jones**. In the red meat case we handled practically all the——

Mr. **Skeen**. Were you called as witnesses in those cases?

Mr. **Jones**. Sir?

Mr. **Skeen**. Do your enforcement people appear as witnesses in those cases?

Mr. **Jones**. Yes. We oftentimes too are involved in grand jury cases as well. In fact, we have one now involving a dealer in Nebraska.

Mr. **Skeen**. Excuse me for interrupting.

Mr. **Jones**. But we've worked very closely—you mentioned the fraud area—we work very closely in that area with the FBI, with Postal Inspectors, and with the IRS. And oftentimes we are involved in doing most of the investigation, and then we'll turn the files over to the FBI and continue to work with them through their work as well.

FRAUDULENT PRACTICES

Mr. **Skeen**. This is in the distribution section of the business?

Mr. **Jones**. Well, if we run into check-kiting schemes and things of that nature, even with dealers and order buyers and auction markets, we'll still work with other agencies in that area as well.

Mr. **Skeen**. Thank you, Mr. Jones.

Thank you, Mr. Chairman.

Mr. **Whitten**. Mr. Durbin.

Mr. **Durbin**. Thank you, Mr. Chairman.

DRUG RESIDUE

I have noticed in one of the reviews of your agency's activities that you are involved in a program with some other agencies to control the marketing of baby calves which have been treated with certain drugs.

Mr. **Jones**. Yes. Is that correct?

Mr. **Durbin**. This has been a matter of some controversy over the last several months in the media. Can you tell us a little bit about your involvement in that area?

Mr. **Jones**. Yes. The residue area, of course, is primarily meat inspection, the Food Safety and Inspection Service of the USDA, and the Federal Food and Drug Administration. However, we get involved when it comes to tracing the sources of those animals. We do have subpoena authority, and if you go into the Northeast area, for example, most of those calves will go through auction markets, and we're the agency that has the subpoena authority and would do the tracing back in determining the source of the calf. Then we would have authority to prosecute through the U.S. attorneys with respect to records violations even on the part of people that are not subject to the act, and of course the direct responsibility with auction markets and others that are involved.

CONSUMER BENEFITS

Mr. **Durbin**. Do you feel that your agency provides a direct benefit to consumers in this country?

Mr. **Jones**. Yes.

Mr. **Durbin**. In what respect?

Mr. **Jones**. In the area that Mr. Skeen and I were talking about, in the distribution area, particularly, any fraudulent activities hits the pockets of the producer or the consumer or both, and particularly when we get into our meat marketing work, when we get into bribery, when we get into allocation of territories or anything that impedes competition in the distribution of meat, this is very definitely a direct benefit to consumers.

USER FEES

Mr. **Durbin**. I would like to ask you a question based on that. The administration seems to believe, when it comes to food safety and inspection, that we should change our approach at the Federal level and have a user's fee, and say——

Mr. **Jones**. Yes.

Mr. **Durbin** [continuing]. To the industry that the service the Federal Government is providing is basically one you ought to pay for and that the taxpayers in general should not be burdened with that.

I haven't heard a similar suggestion for your agency, and I am sure you are relieved not to bring that to us today.

Mr. **Jones**. Well, unfortunately, Mr. Durbin, we did bring that same kind of a proposal to you today.

Mr. **Durbin**. You have the same approach, a user's fee approach?

Mr. **Jones**. Yes. The user fee approach, and the amendments that would be necessary to the act have been developed and are in the process now of being reviewed and will be coming to the Congress. We would anticipate assessing the fee at the slaughter level, not expecting the slaughterer to pay that, but that it would be passed backward or forward or both, depending upon the market situation.

Mr. DURBIN. Do you have any estimate on the impact of that on the cost of meat to the consumer?

Mr. JONES. The cost of meat would not be measureable. It would be rather negligible because we're talking about cents per head when it comes to paying P&S's budget. Our budget, of course, is nothing like what meat inspection would entail.

Mr. DURBIN. I apologize for not being aware of that fact, but the phone calls I have received from packing houses in my district have all been on the safety aspect of it rather than your portion of it. I didn't realize that you were going to be included in that effort as well.

You are saying that your aspect of it would be very small in terms of the cents per head?

Mr. JONES. Very small, particularly compared to the inspection fees.

Mr. DURBIN. What are you using to estimate what those costs would entail? Is it based on the full cost of your agency's activities at the present time?

Mr. JONES. Yes, sir.

Mr. DURBIN. That's all I have. Thank you, Mr. Chairman.

MEAT IMPORTS JURISDICTION

Mr. WHITTEN. We have meat imported from other countries. Do you have any responsibility for the inspection before it leaves there?

Mr. JONES. No, sir. If it comes to an entity on this side, say, like New Zealand lamb, and they start then to break that lamb on this side and distribute it there, then it's subject to P&S, but only from an economic standpoint, not so much meat——

Mr. WHITTEN. But in the exporting country, you don't have folks abroad?

Mr. JONES. No, we do not.

Mr. WHITTEN. Thank you very much.

Mr. SKEEN. Would the gentleman yield on that?

Mr. WHITTEN. Certainly.

Mr. SKEEN. You say that only if they break the carcass in the United States do they come under your jurisdiction?

Mr. JONES. No. Any distribution activities that they would be involved in would come under our jurisdiction with regard to the economic aspects.

Mr. SKEEN. But if it's packed or packaged in, say, under a cryovac situation or something of that kind, whose jurisdiction is that? Over the distribution still?

Mr. JONES. We would still have jurisdiction over any part of it up through the wholesale transaction.

Mr. SKEEN. I see.

Mr. JONES. The economics, yes.

Mr. **Skeen**. But as far as inspections or anything of that kind, you wouldn't?

Mr. **Jones**. No. We do not have anything to do with health or safety.

Mr. **Skeen**. Thank you.

CLEAR TITLE CERTIFICATION

Mr. **Jones**. Mr. Chairman, there is one other thing that I would like to mention to the subcommittee, I think that you are aware that in the farm bill there is a clear title section and that the Secretary was given rather limited authority in that clear-title section to write rules and regulations in connection with central filing systems and also to certify central filing systems if the State put one into effect.

That authority has been delegated to P&SA. You are aware of the very restrictive language, of course, in connection with our budget. We do want the subcommittee to know that we have proceeded to carry out the responsibility delegated to us by the Secretary and that we are coming forth with a request on a supplemental for 1986 to handle that particular activity.

Mr. **Whitten**. Mr. Myers?

BOXED BEEF

Mr. **Myers**. Well, thank you, Mr. Chairman. I apologize for having to leave for a brief meeting at 2:00. And I apologize if I ask a question that has already been asked.

But the boxed beef production, which seems to be on the increase in this country, is that ungraded?

Mr. **Jones**. Typically, much of the beef that would go into boxes would be graded in the carcass, just like as if it were going to be sold as carcass beef. The answer would be that much of it would be graded in the carcass, and that grade, of course, would follow it on into the box.

Mr. **Myers**. Then the box would still contain or include the grading as it was on the carcass, but not the broken?

Mr. **Jones**. In their sales they could, of course, inform their customers that this box came from carcasses that were graded choice and still not be in violation of anything.

Mr. **Myers**. Well, what's the purpose of boxed beef? Where does it finally wind up?

Mr. **Jones**. Well, primarily, it's a step in the direction of efficiency. We're increasing more and more, of course, with respect to boxed beef. As far as the retail side is concerned, it allows the retailer to take the rails out of his retail stores; it allows him to reduce the staff of those stores, which generally are higher cost; and it also enables him to embark upon certain feature promotions if he wants to do that and supply an individual cut.

So from the standpoint of the retailer, it is efficient. From the standpoint of transportation it would be much more efficient, of course, to move the box than it is to move the entire carcass. And with the mass breaking lines in the packing plant now, we can do that more effectively and at less cost than you can do it at the retail level.

Mr. **Myers**. Well, then, I guess boxed beef is a convenience in handling rather than a matter of grading?

Mr. **Jones**. Yes. It's primarily a cost-saving move, and we will go beyond that now into portion control as well.

Mrs. **Smith**. Would the gentleman yield?

Mr. **Myers**. Certainly.

Mrs. **Smith**. Could I add something in addition to the very excellent response that Mr. Jones has made? You know, I come from the second most agricultural district in the country. We used to be so foolish as to send our beautiful beef—by the way, I live in a beef State—we used to send that beef to New York City hanging in the half-carcass in trucks that were a third full of air. Very, very inefficient.

And this was all because the labor unions in New York had so much power that we didn't get organized to have box beef out in our own State. Now we box the beef and provide the jobs right out there where we need them so bad. We are adding a higher value to our product, and it is very important to the agricultural sector in addition to being, as you say, far less expensive to transport and far more efficient to box the beef right where you're raising it rather than send it off to New York.

Mr. **Myers**. Well, I am glad to hear that. We don't make boxcars in my district, but we do make cardboard and boxes.

Mrs. **Smith**. Well, great. We will try to give you more than you want of our sales out in Nebraska. [Laughter.]

Mr. **Jones**. Well, I presume it would be all right, Mr. Myers, if I remind Mrs. Smith that they also feed cattle, hogs, and lambs in Indiana.

Mr. **Myers**. Oh, yes.

Mr. **Jones**. And the first time I ever met the congressman was at an Indiana Beef Cattle Association meeting.

Mr. **Myers**. We just don't brag as much, do we?

[Laughter.]

Mr. **Myers**. We ought to get her PR.

Mr. **Jones**. Well, she does have the largest breaker in her State.

GRADING

Mr. **Myers**. Yes. A couple or several years ago we were in the process of changing the grading system—for the convenience of the consumer, we were told—and I see once in a while beef being sold, particularly ungraded. Does it really mean ungraded? Is that what it is? Or does it just mean it's too cheap a cut to grade?

Mr. **Jones**. No, commonly in the trade we'd call that "no-roll" beef, and it has always been popular. In fact, one major chain primarily developed its sales program around no-roll. So typically, in the trade we will roll beef if it will grade choice. But top good, we typically will no-roll, and many of the supermarkets, of course, and retailers will put their own brand name on it. It doesn't mean that there is anything wrong with the beef; it just simply means that it doesn't quite break the line.

But we're merchandising large quantities now, as you well know. And of course, as we move on down towards Mr. Skeen's territory and into the Texas Pandhandle, why, we're coming out with more and more top-goods and not cattle that will break the line.

Mr. **Myers**. Then it certainly isn't prime, it isn't choice either, it's below that grade yet?

Mr. **Jones**. Yes. It is below choice, and of course, those grades are based primarily upon marbling and conformation as far as the quality is concerned. But it still doesn't mean that there's anything wrong with the beef or that it isn't very palatable and good eating. And of course——

Mr. **Myers**. Just sharpen your knife and your teeth when you eat it.

Mr. **Jones**. One of the major retailers that did use choice and built their business around choice, is now primarily on a no-roll program.

Mr. **Myers**. Well, thank you. It's good to see you again.

Mr. **Jones**. Thank you, sir.

Mr. **Myers**. Thank you.

Mr. **Whitten**. Mrs. Smith finally has some questions now.

Mrs. **Smith**. That's right.

Mr. **Myers**. Oh, I am sorry, I thought you had already—

Mrs. **Smith**. No, no. I had a chance earlier.

Mr. **Whitten**. I made the same mistake. [Laughter.]

Mrs. **Smith**. Next time, I won't leave and be on the telephone during these important hearings.

Let me say, Mr. Jones, Mr. Watkins, and all of you, we're glad you're here and very happy to know that you survived another year. [Laughter.]

Mr. **Myers**. We're not talking about this year, though, are we? [Laughter.]

USER FEES

Mrs. **Smith**. Following up on the questions by my good colleague from Illinois, if you do instigate these user fees, you said that you would not expect the slaughterer to absorb the full cost, but felt they would pass it on to the consumer, or the producer, or part to each, depending on. Depending on what?

Mr. **Jones**. Depending on how the market conditions and how the markets would dictate. The collection would be made at the slaughter level. But theoretically, depending upon market conditions, he would be in a position to pass that either backwards to the seller or forward to the buyer or both.

Mrs. **Smith**. I see.

Mr. **Jones**. And that would depend strictly upon the market. Very frankly, Mrs. Smith, when we first started considering this, we did consider perhaps a levy on producers. But the producers, as you know, are not subject to the P&S act, and that got us into some kind of legal entrapment, so we backed away from that.

Mrs. **Smith**. Well, I am glad you did, because our producers have all they can stand out there right now. [Laughter.]

MEAT IMPORTS JURISDICTION

Mrs. **Smith**. Did I understand correctly your response in answer to the good question by the chairman that you can not investigate outside of the continental United States?

Mr. **Jones**. No. Our authority goes outside of the continental United States, but there is not really a call for us to go outside of the country.

Mrs. **Smith**. So you do not do anything on imported meat unless it has been cut up in this country?

Mr. **Jones**. Well, we would have still the same economic regulation on imported meat as we have domestically produced meat. Once it hits the shores here and goes into either the processing or distribution channels, then those firms would be subject to P&S.

Mrs. **Smith**. I see.

Mr. **Jones**. There would be no distinction between imported meat products and domestically produced meat products.

FINANCIAL PROTECTION

Mrs. **Smith**. What actions has the administration taken, if any, to ensure prompt payment to producers in these tough times?

Mr. **Jones**. We have, as we indicated in our full statement, with these trying times, delegated more and more of our resources to the financial work. We have had as high as 10 packer trust cases at one time during the last year. Unfortunately, these have involved some in Nebraska, as you well know. And that has proved to be a very successful program.

We have also had the same kind of problems when it comes to auction markets and dealers. And I think when you were out perhaps that we gave the example of one situation—

Mrs. **Smith**. Well, don't repeat it. I will read the record.

Mr. **Jones**. All right. It would involve auction markets and dealers. We make a very concerted attempt to get sellers paid, and we are now also emphasizing that we would perhaps hand out a suspension but in some cases reduce or set that suspension aside if restitution is made. We can't act as a collection agency, but we can take innovative sanction procedures of that nature which encourages payment.

So we have been very successful, I think, in the financial area, and we're getting more effective.

AGENCY PRIORITIES

Mrs. **Smith**. Thank you, Mr. Jones. Just one last question. What are your goals or your priorities with P&S for the immediate future and for the future down the road, say, five years?

Mr. **Jones**. Well, first of all let me address our goals within the agency and management of the agency. We have been successful in utilizing automated equipment to increase the efficiency of the agency, and we will continue that. We have milked much of the efficiency out of the automated systems. We have all of our offices tied together now as far as communications are concerned, and as far as investigations and so on are concerned, we're using that equipment very effectively.

We intend to become more visible in other areas such as shortened procedures with regard to investigations where we can get even more mileage out of the money that we're spending. And certainly our goal would be to address all of the payment problems as a number-one priority.

In dividing our resources, our current goal is to spend around 50 percent of those resources in the packer and poultry work and about 50 percent in the livestock marketing work.

But we do want the flexibility of shifting those contingent upon the conditions that exist at a given time.

Mrs. **Smith**. That's a very good answer.

Thank you, Mr. Chairman. I have further questions.

Mr. **Whitten**. Mr. Watkins has some questions he would like answered for the record.

Thank you very much for your appearance, Mr. Jones.

Mr. **Jones**. Thank you, Mr. Whitten.

Mr. **Whitten**. It's always good to see you.

Questions Submitted by Congressman Watkins

User Fees

Mr. **Watkins**. Is it not true that government placed into effect laws and regulations that regulate the packers and stockyards?

Response. It is true.

Mr. **Watkins**. If this is true, doesn't it appear that these laws and regulations that direct activities by the public sector should be funded by tax dollars?

Response. The fundamental question as to whether the P&SA program lends itself to the user fee concept, where the direct beneficiaries of a progam should bear the cost of the program rather than the program being funded from general tax revenues, is one that ultimately must be decided by the Congress through the legislative process. However, it is important to keep in mind that the agency is giving consideration to the assessment of the fee at the slaughter level. Theoretically, with this approach the fee would not be paid by the slaughterer, but would be passed to the producer or to the consumer, or both, depending on the market conditions. With this approach, the funding is provided by a large portion of the public sector, even though it does not come from the tax revenues.

Mr. **Watkins**. They didn't ask for the regulations, then why should they pay for it?

Response. With the approach mentioned earlier, the cost would not be borne by those being regulated, but would be passed to the producer or the consumer depending on the market conditions.

Mr. **Watkins**. Do you have anyone to introduce legislation to enact these user fees?

Response. The legislation necessary to implement user fees has been developed and is now in the process of review. The legislation will then be submitted to the Congress.

Mr. **Watkins**. How would you propose to collect the user fees? Wouldn't this take more government to enforce the fee?

Response. A detailed plan for the assessment of user fees has not been worked out at this time. However, the agency anticipates assessing the fee at the slaughter level. This approach would permit the slaughterer to pass the cost either to the producer or the consumer or both depending on the market conditions.

It is anticipated that there would be some additional cost in implementing and conducting the program through user fees. The additional cost for administering a user fee program will be taken into consideration in making the assessment.

Mr. **Watkins**. In reality, those who benefit from a particular program should be the ones who pay for the program if user fees were implemented. To expect the regulated to pay for the regulating is absurd. The P&SA was formed in 1921 to protect the producers from unfair marketing practices at that time. Therefore, the producers are the major beneficiaries of the P&SA. If user fees should be implemented to fund the P&SA, it is very impractible and unrealistic to assess each producer in the

United States a fee. But, livestock markets would have no choice but to pass on the fee to the consignor or the producer.

Mr. Jones, based on years of experience with the cattle industry and looking at today's cattle prices, in your opinion can you honestly say our ranchers can stand the additional burden of user fees?

Response. At the present time the agency is giving consideration of the assessment of the fee at the slaughter level. Theoretically, with this approach the fee would not be paid by the slaughterer, nor would it solely or necessarily be paid by the rancher or producer, but would be passed to the producer and/or the consumer depending on the market at the time.

Mr. Watkins. If the livestock market would pass this cost on the consignor or producer, not all producers would share in this cost because not all livestock is sold through a livestock market or marketing business registered under the P&SA Act. I contend this would be discrimination. Do you see that possible effect?

Response. The agency does not anticipate this effect, with the assessment at the slaughter level and the approach described earlier.

LIVESTOCK MARKETING

Mr. Watkins. How many livestock auctions were closed last year due to financial difficulties, bonding etc.?

Response. There were seventeen livestock auctions closed during fiscal year 1985 due to financial difficulties and/or bonding problem.

Mr. Watkins. How many are expected to go out of business this year?

Response. It is estimated that approximately fifteen will close during fiscal year 1986.

PACKERS AND STOCKYARDS ADMINISTRATION

Statement of
B. H. (BILL) JONES

before the
House Subcommittee on Agriculture,
Rural Development and Related Agencies

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before the Subcommittee to discuss the programs of the Packers and Stockyards Administration (P&SA) and the Agency's budget request for fiscal year 1987. First, may I introduce my associate, Calvin W. Watkins, who is in charge of the Agency's budget work.

P&SA is responsible for enforcement of the Packers and Stockyards Act of 1921, as amended. Agency programs are designed to assure the integrity of the livestock, meat, and poultry markets and the market place. This includes assuring payment, fostering fair and open competition and guarding against unfair, deceptive and other fraudulent practices in the marketing of meat animals and the products therefrom.

Simply stated, P&SA is an investigative and law enforcement agency. Its work is primarily divided into three areas: payment protection, anti-trust activities, in the broad sense, and countering unfair, deceptive and fraudulent practices, commonly known as white-collar crime. The cost of the latter obviously is borne by both the producers and consumers.

The financial problems encountered by market agencies (including auction markets), dealers, and packers continue to demand special priority on the part of the Agency. There continues to be significant financial failures by firms in each of these operational categories. Check kiting schemes have been encountered in the enforcement of the Act over the years; however, such schemes have come prominently to the forefront of late. In one such case involving an auction market in Texas and one in Oklahoma, the Agency was directly responsible for 100 percent (less attorneys' fees) being paid to consignors to the two markets.

The Subcommittee will be interested to know that in fiscal year 1985, cash sellers of livestock collected $3.9 million from 20 packers under the statutory packer trust provision of the Act; since the adoption of the trust in 1976, over $27.3 million has been paid to cash sellers.

As livestock, meat, and poultry production and marketing continue to change, Agency programs and operations are reviewed and adjusted to meet the needs of the industry in harmony with statutory authority. The effort on the part of P&SA to adjust its work priorities and enforcement programs is evidence of its sensitivity to changes in the livestock, meat, and poultry industries. Comments and recommendations from the public are always considered in making such decisions.

The enforcement of the Act and the efficiency of program activities continue to be substantially improved through automation. The Agencywide Information Management System (AIMS) is designed and is being implemented to improve efficiency in collecting, processing and analyzing information and data, including investigative data. Progress continues to be made in the implementation of the program, including the development and expansion of data bases and utilization of automated equipment in connection with investigations, especially for data and analysis purposes.

The Agency is now exploring the next step to be taken with respect to equipment and software both at headquarters and in the field offices.

SCOPE OF OPERATIONS

The production of live animals, meat and poultry is of significant importance to the economy and as a food source. The total value of red meats and poultry at wholesale continues to approximate $60 billion.

With respect to the P&SA program, specifically: Currently, there are 1,800 stockyards subject to the Act; 10,150 registrants, including 7,460 market agencies/dealers and 2,690 packer buyers; approximately 6,000 slaughtering and processing packers; and an estimated 6,500 meat distributors, brokers, and dealers. There are also approximately 250 poultry firms subject to the Act.

The programs of the Packers and Stockyards Administration are divided into two major areas: Livestock Marketing and Packer and Poultry programs. The goal of the Agency under normal circumstances is to allocate its resources on approximately a 50/50 basis between the two program divisions, the Packer and Poultry Division and the Livestock Marketing Division. Flexibility to reallocate resources between the two must be maintained, however, in order to respond to problems when they occur. As already indicated, the financial situation in the industry of late has demanded additional resources being channeled to financial and payment program activities.

LIVESTOCK MARKETING

The focus of the Livestock Marketing program is on payment protection, fraudulent schemes, false weighing, and trade practices of stockyards, market agencies, and dealers. Major emphasis is given to payment protection and investigating fraudulent marketing practices. This emphasis will be continued in work planning and allocation of the Agency's resources.

Fraudulent practices include misuse of custodial funds and other custodial account violations; check kiting; false weighing; weight and price manipulation; switching of livestock; misrepresentation as to the quality, source, origin and health of livestock; market agents defrauding principals; and altering books and records.

The Agency is endeavoring to make its payment protection work more effective by allocating additional resources to surveillance. This effort has been hampered, however, by the rash of financial failures occurring in the industry.

Another program activity given high priority in livestock marketing is to foster and maintain fair and effective competition in the industry. Any practice, agreement, or understanding which excludes a potential buyer from bidding in open competition either in direct trading or at public markets is a restraint on competition. Investigations often disclose practices which result in the lessening of competition through apportioning of territories, price agreements or arrangements not to compete, and payoffs or kickbacks to buyers.

PACKER AND POULTRY

The primary responsibilities of the Packer and Poultry Division are to ensure open and free competition in the procurement of livestock by packers, the marketing of meat and poultry, and to assure prompt payment to producers. Packer and poultry activities continue to place high priority on the effective payment protection for sellers of livestock through bonding, solvency tests, and the statutory trust. The existence of the packer trust has helped substantially in reducing losses to producers who sell livestock on a cash basis to slaughtering packers.

Dramatic changes have occurred in the meat packing industry over the last few years, including realignment of ownership, which continues as a dominant factor in the industry. These developments, along with innovations in procurement, slaughter, processing and distribution, have caused the Agency to periodically review its priorities.

MEAT MARKETING

Investigations of commercial bribery and illegal brokerage in the marketing of meat continue to receive significant attention on the part of the Agency with emphasis on the operations of meat brokers and wholesale meat distributors. Firms making payoffs to meat buyers enjoy a favored position over other suppliers who compete on the basis of services and/or quality.

In addition to payoffs to meat buyers, investigations have also revealed kickbacks to packer salesmen. Cases of this nature necessitate numerous subpoenas for individual and business bank accounts and may cover broad geographic areas. P&SA works closely with other Government agencies such as the FBI, the IRS and the Postal Inspection Service investigating such practices.

POULTRY MARKETING

The principal activity of the poultry program is to investigate grower complaints and to monitor the contractual relationship between integrators and contract growers for compliance with regulations administered by P&SA. This includes attention to timely and accurate weighing and proper accounting to growers. The Agency continues to encounter strong opposition from certain poultry processors and serious enforcement delays in carrying out its responsibility with respect to time of weighing and discrimination in ranking growers for payment purposes.

BOXED BEEF PRODUCTION

Ongoing analysis by the Agency indicates that the proportion of beef being boxed continues to increase. Also, slaughtering packers continue to increase their share of total boxed beef production. The Agency expects this trend to continue.

Boxed beef production by meat packers (slaughtering and non-slaughtering), excluding retailers, accounted for 12.9 million carcasses or about half of federally inspected slaughter of steers and heifers in 1979. Production increased to 19.7 million carcasses in 1984. This was 73 percent of the 26.9 million steers and heifers slaughtered that year. The market share of the four largest boxed beef firms, all of which are slaughtering packers, increased from about 52 percent in 1979 to 61 percent in 1984.

Retailers fabricated approximately 1.4 million steers and heifers into boxed beef for distribution to their own stores in 1984.

GRADE AND WEIGHT

Since the Agency appeared before the Subcommittee a year ago, it has made significant progress in bringing about recommended changes in the grade and yield procurement of hogs. Firms engaged in the slaughtering of hogs have cooperated well with the Agency. A carcass market report for live hogs has been established by USDA Market News Service. Packers have clarified and more completely disclosed program terms and greatly simplified accounting to the sellers.

The Agency is now involved in a comprehensive study of the procurement programs of major U. S. lamb slaughterers. Data from 14 lamb slaughtering plants have been collected and are being analyzed and evaluated. Again, the Agency will attempt to work with the industry on an informal basis to effect necessary improvements in individual firm's procurement and marketing programs.

SCALES AND WEIGHING

The major emphasis of the Agency's scales and weighing program is being directed toward weighing investigations. At present, there are three primary methods of investigating weighing practices to detect fraudulent and careless weighing. They are: (1) examination of weighing records, (2) check weighing, and (3) direct sale of pre-weighed livestock. During fiscal year 1985, the Agency conducted 280 weighing investigations, with 66 (23.6%) of these disclosing false or inaccurate weights.

FISCAL YEAR 1987 BUDGET REQUEST

The budget request of the Packers and Stockyards Administration for fiscal year 1987 is $9,093,000; a net decrease of $40,000 from the fiscal year 1986 budget. The net decrease consists of savings in management costs, primarily consisting of improved travel management and a reduction in administrative support costs.

The budget also proposes to finance the Packers and Stockyards program on a user fee basis. Proposed legislation required to implement the fee program is being submitted to the Congress.

Mr. Chairman, I thank you for the opportunity to present this statement. We welcome the opportunity to respond to any questions you and other members of the Subcommittee may wish to ask.

United States
Department of
Agriculture

Packers and
Stockyards
Administration

Packers and Stockyards Administration Fiscal Year 1987 Budget Review

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Packers and Stockyards Administration:

Investigative and Law Enforcement Agency

Mission: The mission of P&SA is to assure the integrity of livestock, meat, and poultry markets and the market place

The programs of P&SA are designed to foster fair and open competition and guard against deceptive and fraudulent practices in the marketing of meat animals and the products therefrom.

Packers and Stockyards Administration

Overview

Size of Industry

• Producer receipts livestock and poultry	$47 bil
(33% of total cash farm receipts)	
• Market value added through slaughter, processing and wholesaling	$13 bil
• Total value of red meats and poultry at wholesale	$60 bil

Coverage of program

• Scales	5,000
• Packers S&P (800 bonded)	6,600
• Other packers	6,500
• Poultry firms	250
• Posted stockyards	1,800
• Market agencies/dealers	7,460
• Packer buyers	2,690

Packers and Stockyards Administration

Areas of Responsibility

- **Payment protection**
  - **Prompt payment**
  - **Packer trust**
  - **Custodial accounts**
  - **Bonds**
  - **Solvency**
- **Anti-trust activities**
  - **Competition**
  - **Conflicts of interest**
- **Unfair, deceptive, and fraudulent practices**
  White-collar crime

Packers and Stockyards Administration

FY 1987 Request - $9.1 Million

Agency Objectives:

- **Programs involving payment protection, bonding, packer trust, and custodial account surveillance maintained**
- **Major investigations involving white collar crime/fraud, unfair competition and deceptive practices continued**
- **Coordination with and assistance to other federal law enforcement agencies provided**
- **Programs to assure accurate scales and weighing maintained**

PACKERS AND STOCKYARDS ADMINISTRATION

Purpose Statement

The Packers and Stockyards Administration was reestablished by Secretary's Memorandum No. 1000-1, of June 17, 1981. The Agency administers the Packers and Stockyards Act of 1921, as amended. The Agency also has responsibility with respect to persons and firms subject to the Packers and Stockyards Act for the Truth-in-Lending Act, the Fair Credit Reporting Act and Freedom of Information Act.

The principal purpose of the Packers and Stockyards Administration programs is to assure the integrity of the livestock, meat, and poultry markets and the market place. This includes fostering fair and open competition and guarding against deceptive and fraudulent practices which affect the movement and price of meat animals and the products therefrom. The work of the Agency is also aimed at protecting consumers and members of the livestock, meat and poultry industries against unfair business practices which can unduly affect meat and poultry distribution and prices.

Headquarters of the Agency is located in Washington, D.C., with 12 field offices located in Atlanta, Georgia; Bedford, Virginia; Denver, Colorado; Fort Worth, Texas; Indianapolis, Indiana; Kansas City, Missouri; Lawndale, California; Memphis, Tennessee; North Brunswick, New Jersey; Omaha, Nebraska; Portland, Oregon; and South St. Paul, Minnesota. On December 15, 1985, the field office located at North Brunswick, New Jersey was relocated to Lancaster, Pennsylvania. As of September 30, 1985, there were 180 full-time permanent and 2 other employees. Of the total, 42 full-time employees and 1 other employee worked in the Headquarters office; 138 full-time employees and 1 other employee worked in the field offices.

PACKERS AND STOCKYARDS ADMINISTRATION

Available Funds and Staff-Years

1985 Actual and Estimated, 1986 and 1987

Item	1985 Actual		1986 Estimated		1987 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Packers and Stockyards Administration	$9,022,000	187	$9,133,000	185	$9,093,000	185

Full-time Equivalent Staff-Years:	1985 Actual	1986 Estimated	1987 Estimated
Ceiling	187	185	185
Non-Ceiling	--	--	--
Total	187	185	185

PACKERS AND STOCKYARDS ADMINISTRATION

Permanent Positions by Grade and Staff-Year Summary

1985 Actual and Estimated 1986 and 1987

Grade	1985			1986			1987		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-3	1	--	1	1	--	1	1	--	1
ES-2	1	--	1	1	--	1	1	--	1
GS/GM-15	4	--	4	4	--	4	4	--	4
GS/GM-14	7	--	7	7	--	7	7	--	7
GS/GM-13	14	12	26	12	12	24	12	12	24
GS-12	3	47	50	2	48	50	2	48	50
GS-11	3	46	49	2	47	49	2	47	49
GS-9	3	8	11	2	1	3	2	1	3
GS-8	1	--	1	1	--	1	1	--	1
GS-7	3	6	9	3	7	10	3	7	10
GS-6	5	7	12	7	9	16	7	9	16
GS-5	--	13	13	--	13	13	--	13	13
GS-4	--	4	4	--	4	4	--	4	4
GS-3	1	--	1	1	--	1	1	--	1
GS-2	1	--	1	1	--	1	1	--	1
Total Permanent Positions	47	143	190	44	141	185	44	141	185
Staff Years:									
Ceiling	47	140	187	44	141	185	44	141	185
Non-Ceiling	--	--	--	--	--	--	--	--	--
TOTAL	47	140	187	44	141	185	44	141	185

PACKERS AND STOCKYARDS ADMINISTRATION

CLASSIFICATION BY OBJECTS

1985 and Estimated 1986 and 1987

	1985	1986	1987
Personnel Compensation:			
Headquarters	$1,786,544	$1,828,419	$1,779,043
Field	4,184,500	4,282,581	4,166,957
11 Total personnel compensation	5,971,044	6,111,000	5,946,000
12 Personnel benefits..	758,081	691,000	694,000
13 Benefits for former personnel	3,534	10,000	10,000
Total personnel compensation and benefits..	6,732,659	6,812,000	6,650,000
Other Objects:			
21 Travel	548,160	667,000	671,000
22 Transportation of things	23,880	20,000	25,000
23.2 Rental Payments to others	121,910	187,000	199,000
23.3 Communications, utilities, and misc. charges	275,798	382,000	452,000
24 Printing and reproduction	49,040	39,000	42,000
25 Other services	469,435	640,000	652,000
26 Supplies and materials	100,734	151,000	157,000
31 Equipment	145,869	235,000	245,000
Total other objects ...	1,734,826	2,321,000	2,443,000
Total direct obligations.	8,467,485	9,133,000	9,093,000
Position Data:			
Average Salary, ES positions	$67,466	$67,466	$67,466
Average Salary, GS positions	$31,092	$32,289	$32,140
Average Grade, GS positions	10.11	10.29	10.29

PACKERS AND STOCKYARDS ADMINISTRATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Packers and Stockyards Administration:

For necessary expenses for administration of the Packers and Stockyards Act, as authorized by law, including field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $5,000 for employment under 5 U.S.C. 3109, [$9,201,000] $9,093,000.

SALARIES AND EXPENSES - CURRENT LAW

Appropriation Act, 1986	$9,201,000
Budget Estimate, 1987	9,093,000
Decrease in Appropriation	-108,000

Adjustments in 1986:		
Appropriation Act, 1986	$9,201,000	
Less Pro-Rata Reduction, P.L. 99-190	-55,000	
Net Appropriation	9,146,000	
Transfers to Departmental Administration and Office of Governmental and Public Affairs for reimbursable activities a/	-13,000	
Adjusted base for 1986		9,133,000
Budget estimate, 1987		9,093,000
Decrease from adjusted 1986		- 40,000

a/ A transfer of $7,000 to Departmental Administration and $6,000 to Office of Governmental and Public Affairs is to fund activities previously financed on a reimbursable basis as a direct appropriation in FY 1987.

SALARIES AND EXPENSES - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1987	$9,093,000
Change due to proposed legislation	-9,093,000
Net Request, President's 1987 Budget Request	--

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of adjusted appropriation)

Item of Change	1986 Estimated	Decrease	1987 Estimated
Administration of the Packers and Stockyards Act	$9,133,000	-$40,000	$9,093,000
Total Available	9,133,000	-$40,000	$9,093,000

PROJECT STATEMENT - CURRENT LAW
(On basis of adjusted appropriation)

	1985 Actual		1986 Estimated			1987 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Decrease	Amount	Staff-Years
1. Administration of the Packers and Stockyards Act	$8,467,485	187	$9,133,000	185	-$40,000	$9,093,000	185
Unobligated balance	554,515	--	--	--	--	--	--
Total available or estimated	9,022,000	187	9,133,000	185	(1) - 40,000	9,093,000	185
Transfer to Departmental Administration and to Office of Governmental and Public Affairs	+13,000		+13,000				
Total, appropriation	9,035,000	187	9,146,000				

EXPLANATION OF PROGRAM

The Packers and Stockyards Administration (P&SA) administers the Packers and Stockyards Act (7 U.S.C. 181-229). The Agency also administers the Truth-in-Lending Act (15 U.S.C. 1601 *et seq*); the Fair Credit Reporting Act (15 U.S.C. 1681 *et seq*); and the Freedom of Information Act (5 U.S.C. 552) as these statutes apply to persons and firms subject to the P&S Act. Agency programs are designed to assure the integrity of the livestock meat and poultry markets and the market place. Other functions of the Agency include assuring prompt payment to producers for livestock, and assuring nondiscriminatory marketing charges and accurate weights. The Agency's programs also include protecting consumers from unfair business practices in the marketing of meat.

Coverage of Program:

	1985 Actual	1986 Estimated	1987 Estimated
Investigations	2,321	2,296	2,296
Market Agencies/Dealers Registered	10,150	10,350	10,500
Stockyards Posted	1,825	1,825	1,825
Slaughtering and Processing Packers Subject to the Act	6,000*	6,600	6,600
Meat Distributors, Brokers, and Dealers Subject to the Act	6,500*	6,500	6,500
Poultry Operations Subject to the Act	250*	250	250

*Estimated

The value of livestock, meat, and poultry subject to the Act is in excess of $60 billion each year.

The principal activities carried out in administering the Act are:

- Investigating trade practices of packers, market agencies, and dealers to detect fraudulent transactions and to guard against unfair trade practices detrimental to producers and the industry.
- Investigating packer meat merchandising and chain store buying practices in order to maintain prices established by fair and competitive marketing practices.
- Investigating the financial condition and payment practices of market agencies, dealers, and packers subject to the Act to determine if they are financially sound and capable of meeting their obligations.
- Maintaining the integrity of the statutory trust for cash sellers of livestock to meat packers.
- Surveillance of marketing at public markets and geographical area markets to foster and maintain fair and effective competition and avoid conflicts of interest.
- Obtaining adequate surety bonds from auction operators, commission firms, dealers, and packers (purchasing more than $500,000 of livestock annually) to assure payment for livestock purchased.
- Investigating poultry marketing practices to identify and correct those which are injurious to producers and operators in the industry.

Legislation is being proposed for FY 1987 to provide for collection of user fees to fund the estimated program costs.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of $40,000 for management savings consisting of a savings of $25,000 from improved travel management and $15,000 from a reduction in administrative support costs.

Packers and Stockyards Administration
Summary of Proposed Legislation, Proposed for Later Transmittal

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

Item of Change	1987 Current Law	 Program Changes	 President's Request
Administration of the Packers and Stockyards Act	$9,093,000	-$9,093,000	--

Explanation of Proposed Legislation

The Packers and Stockyards Administration administers the Packers and Stockyards Act. The agency's programs are designed to assure the integrity of the livestock, meat and poultry markets and the market place. The Act provides jurisdiction over stockyards, livestock dealers, market agencies, meat packers, meat dealers, brokers and wholesalers. Live poultry dealers or handlers are also subject to the Act. This proposal would initiate user fees to recover the full cost of Agency operations.

PACKERS AND STOCKYARDS ADMINISTRATION
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1985 and Estimated 1986 and 1987

	1985		1986		1987	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
D.C. Headquarters	$2,876,669	47	$3,097,000	44	$3,085,000	44
REGIONAL OFFICES:						
California	400,283	12	431,000	12	429,000	12
Colorado	477,507	11	514,000	12	512,000	12
Georgia	463,640	11	499,000	11	497,000	11
Indiana	466,750	11	503,000	13	500,000	13
Minnesota	459,606	12	495,000	12	493,000	12
Missouri	514,607	12	554,000	12	552,000	12
Nebraska	530,874	13	572,000	12	569,000	12
New Jersey	453,706	12	489,000	12	487,000	12
Oregon	398,294	12	429,000	11	427,000	11
Tennessee	480,122	12	517,000	11	515,000	11
Texas	476,926	12	514,000	12	511,000	12
Virginia	481,501	10	519,000	11	516,000	11
Total, Available or Estimate	8,480,485	187	9,133,000	185	9,093,000	185

PACKERS AND STOCKYARDS ADMINISTRATION

STATUS OF PROGRAM

Current Activities: The Packers and Stockyards (P&S) Act of 1921 (7 U.S.C. 181-229) is administered to assure free and open competition, fair trade practices, and financial protection to the livestock, meat, and poultry industries. The objectives of the Act are to protect producers, consumers, and competitors against unfair, deceptive, or discriminatory practices as well as those that are predatory or monopolistic in nature. Specific areas to which efforts are now being directed are:

1. Payment Protection: Payment protection will continue to receive high priority in work planning and allocation of the Agency's resources. It is vital to the integrity of the industry for livestock producers to receive payment for their livestock when it is marketed. The major emphasis will be directed at serious insolvencies, prompt payment, and financial frauds.

2. Livestock Marketing: The use of fraudulent practices in livestock marketing is one of the most serious violations of the Act. Frauds which occur in direct marketing are a major concern and will continue to be given emphasis in work planning. These include false weighing, weight and price manipulations, switching of livestock, and misrepresentations as to the source, origin, and health of livestock.

   Any practice, agreement, or understanding which excludes a potential buyer from bidding in open competition either in direct trading or at public markets is a restraint on competition. Investigations often disclose practices which result in the lessening of competition for producers' livestock. These include apportioning of territories, price agreements or arrangements not to compete, and payoffs or kickbacks to buyers. Any information which indicates that a restriction of competition may exist will continue to be investigated on a priority basis.

3. Competition and Conflicts of Interest: The Agency continually monitors changes in industry structure and in cooperation with the Justice Department, Anti-Trust Division, acts to fulfill its responsibilities with regard to concentration and potential competitive restrictions. Proposals by packers to vertically integrate market agency and/or custom feeding activities are reviewed to prevent conflicts of interest and maintain competition.

   A major effort to improve hog slaughterers' grade and yield programs was concluded. Accomplishments include, packer bids and payment on actual carcass price, determined after yield standard denominator application; industry cooperation in the establishment of a carcass market report for live hogs; more complete disclosure of contract terms; and simplified accounting to sellers.

4. Meat Marketing: The Agency continues to investigate commercial bribery in the wholesale meat industry. This practice receives a high investigative priority in the enforcement program of the Agency. Firms making payoffs to meat buyers have captive accounts and a favored position over competing suppliers whose products are sold on the merits and based on price.

   Firms failing to pay for meat continues as a problem to which the Agency must direct its efforts. Complaints are being received which indicate certain meat processors are using unfair pricing practices, such as below-cost selling, in meat sales. Cooperation with State and local authorities in curbing bait-and-switch freezer meat operations also continues.

5. Scales and Weighing: Major emphasis is directed toward detecting inaccurate or fraudulent weighing of livestock and meat through a program of investigating the weighing practices of subject firms. Historically, the Agency has employed two basic types of investigative procedures; (1) checkweighing livestock or livestock carcasses after they have been weighed for purchase or sale; and (2) selling preweighed livestock directly to firms suspected of engaging in fraudulent weighing activity. Some marketing methods do not lend themselves well to either of the procedures used in the past, so new procedures are being developed and existing equipment used in these investigations is being modified to provide greater flexibility in conducting weighing investigations.

   The condition and maintenance of scales are monitored by Agency personnel through review and analysis of scale test reports submitted to the Agency's regional offices. This review and analysis allows Agency personnel to identify scales which may be unreliable because they are defective or worn and are not properly maintained and repaired. Electronic weighing devices continue to spur the trend toward conversion from mechanical to electronic scales. Agency personnel work with scale manufacturers, weights and measures officials and the National Bureau of Standards to assure all weighing systems are reliable.

6. Drug Residues: The Agency is working with other Federal agencies in a cooperative effort to control the marketing of baby calves which have been treated with antibiotic or sulfa drugs. Meetings have been held throughout the United States with auction markets and packers to explain the problems and to set up a voluntary drug certification program for livestock producers.

7. Lamb Study: Data from the top 14 lamb slaughterers relative to lamb procurement and carcass marketing is being analyzed and evaluated to determine industry trends, effects of vertical integration, competitive relationships between firms, market shares, distribution channels, and the individual firms' compliance with the P&S Act. The Agency will attempt to work with the industry on an informal basis to effect necessary improvements in the individual firms' procurement and marketing programs.

8. Poultry: The principal activity of the poultry program has been the monitoring of the contractual relationship between integrators and contract growers for compliance with Packers and Stockyards regulation requirements. This important aspect of the poultry program will be continued with particular emphasis on prompt and accurate weighing, full and adequate accounting, and payment in accordance with contract terms.

SELECTED EXAMPLES OF RECENT PROGRESS

1. Payment Protection: The Packers and Stockyards Act provides comprehensive financial protection to cash sellers of livestock to packers. The Agency program to carry out these provisions and activities to prevent losses to livestock sellers receives top priority. Annual reports of packers are analyzed with insolvent packers required to improve their working capital. During the most recent fiscal year, insolvent packers improved their working capital by $3.9 million.

   In one administrative action, a packer was ordered to stop issuing checks in payment for livestock drawn on remote, distant or country bank accounts. The use of such accounts delays the collection of funds through the use of additional "float." This delay results in the increased risk of exposure by livestock sellers.

   Identifying receivables and inventories which rightfully belong to unpaid livestock sellers has been made a priority when auction markets and dealers fail financially. Aggressive action by P&SA in two cases resulted in over $400,000 being placed in the two auction markets' trust accounts for the benefit of unpaid sellers rather than being used to pay other debts of the firms. Some banks have attempted to offset auction market debts to the bank against custodial account funds. During the past year, P&SA has been successful in persuading banks to return over $1 million to custodial accounts which had been offset by the banks without the sellers having to file suit.

2. Packer Trust: Since the 1976 amendments to the Packers and Stockyards Act, 98 packer firms have paid cash sellers of livestock $27.3 million under the statutory trust provision. During fiscal year 1985, 20 packer firms paid out over $3.9 million. Fifteen of those firms paid out $3.1 million on an informal basis.

   The Agency, as a matter of policy, seeks a severe civil penalty when a respondent willfully dissipates statutory trust assets. Presently, there is an administrative action pending against a packer in which the Agency is seeking a civil penalty in excess of $100,000 for violations of the Packers and Stockyards Act pertaining to statutory trust assets.

3. Financial Frauds: An Arkansas auction market and its owners were suspended for 5 years for misusing custodial funds to pay personal debts and for using their custodial account in a check kiting scheme to create a false float in the market's bank accounts to finance its dealer operation. The corporate officers of two auction markets in the High Plains area engaged in a check kiting scheme which caused livestock sellers to be owed $1.2 million when the scheme came apart and the banks offset overdrafts against custodial funds due livestock sellers. Prompt investigation of the case and cooperation with the bankruptcy trustee resulted in the banks restoring over $1 million to the custodial accounts so that all sellers were paid.

4. Bankruptcy Bustout Fraud: Agency personnel were requested by the FBI to assist in an investigation of a Louisville, Kentucky, meat firm for an alleged bankruptcy bustout scheme. During 1985, three individuals were indicted for defrauding 41 meat companies in 18 States of more than $2 million in meat. Two of the three individuals were convicted and sentenced to prison terms and fines for the same scheme in Los Angeles in 1983. That conviction is on appeal. In the present case, two of the individuals are in jail pending trial, which is scheduled for January 1986.

5. Frauds in Livestock Marketing: A large feeder cattle dealer in Colorado paid a $25,000 civil penalty and was suspended from operating for 90 days for fraudulently increasing the weights on feeder cattle purchased for feedlots in Colorado and Kansas. A dealer in Washington has been charged with repurchasing his own consignments at inflated prices for packer and feedlot customers in the Pacific Northwest. A Minnesota dealer has been charged with bribing the employee of a customer to persuade the employee to accept cattle on which the weights had been fraudulently increased. The customer's employee was charged with accepting bribes. A case is pending against five dealers in Indiana for conspiring to inflate the prices on livestock funneled through one of the dealers who is buying on order for principals.

6. Commercial Bribery and Illegal Brokerage: Six (6) complaints containing allegations of commercial bribery were docketed in 1985. A significant investigation involving commercial bribes totalling approximately $150,000 was recently concluded. That investigation, conducted in New York City, disclosed similar violations by others which may result in two additional cases. Major investigations are planned or in progress in Louisiana, Texas, Illinois, Missouri, Wisconsin, Florida, and Alabama.

7. Unfair and Competitive Practices: A case is pending against a dealer and the employee of a selling agency at a major Midwest terminal stockyard. The commission salesman was

selling hogs to the dealer at prices substantially below the market and the dealer was then reselling the hogs and they were splitting the profits. A concentrated effort is being made to improve the competitive trade practices at auction markets in Georgia and South Carolina. Four investigations are under way and have produced evidence of free trucking, discriminatory selling commissions to favored consignors, price guarantees, and speculating on consigned livestock by key employees. These practices place competing markets at a serious disadvantage and cause less than arm's length relationships between the auction markets and their customers.

8. Scales and Weighing Activities: During fiscal year 1985 the Agency conducted 280 weighing investigations and 66 of these (23.6%) disclosed false or inaccurate weighing. Twelve of twenty (60%) direct sales investigations included in the total disclosed false or inaccurate weighing. Direct sale investigations are generally made on firms where there is reason to suspect false or inaccurate weighing may be occurring and check weighing will not provide conclusive results. A Tennessee auction market purchasing livestock out of consignments to fill orders for an off-market principal was found to be shortweighing the livestock purchased for its principal. The largest hog dealer in the United States paid $45,000 in civil penalties and was suspended for one year for shortweighing butcher hogs purchased at one of its buying stations in Iowa. The suspension is being held in abeyance at all locations except the offending station.

A private scale testing firm in Kansas was found guilty of filing false scale test reports with P&SA, fined $2,000 and given a suspended jail sentence. The firm was providing scale test reports without checking the scale and in fact some of the scales were inaccurate. Action is pending against another firm in Alabama for similar offenses.

Two meat packers in New Jersey and Pennsylvania have been found taking an excessive tare for the hooks and rollers on cattle purchased on a carcass weight basis resulting in livestock sellers being paid substantially less than the actual weight of the carcasses.

9. Failure to Pay for Meat: Seven complaints were issued in fiscal year 1985 for failure to pay for meat valued at over $6.1 million. These complaints have resulted in one decision and order issued by default; two offers of settlement with respondents in one of these cases offering to pay the $75,000 they owe for lamb carcasses in full; and two cases set down for hearing.

10. Drug Residues: Two dealers in Minnesota and California have been charged with preparing false certifications that baby

calves marketed for slaughter were free of drugs. Cases, in which Grand Jury indictments are expected, are pending against two dairymen in California for falsely certifying baby calves sold for slaughter had not been treated.

11. Advertising and Promotion: During fiscal year 1985, the Tenth Circuit Court of Appeals affirmed the Judicial Officer's decision in a bait-and-switch selling practices case. The firm and its owner were ordered to take affirmative action to advise the public that they were subject to a cease and desist order concerning bait-and-switch selling tactics. A $20,000 civil penalty was also upheld. In another case pending from prior years, a cease and desist order was issued and a $10,000 civil penalty assessed. This case involved discriminatory promotional allowances and making payments for promotional services without assuring that services are actually provided.

12. Packer Bonding: All packers purchasing in excess of $500,000 of livestock annually must be bonded to insure payment for livestock purchased.

Packer Bonding Activity

Packers bonded 9/30/85	747
Value of bonds ($ in millions)	250.7
Number of packer bonds called on FY 85	16
Value of claims ($ in millions)	1.0

13. Registration: The Act and regulations require that each market agency and dealer operating in commerce be registered. To comply, a firm must file an application simultaneously with a surety bond or its equivalent.

Registration/Bonding Activity

Market agencies/dealers registered and bonded	7457
Value of registrants' bonds ($ in millions)	252.6
Packer buyers - registered only	2693

14. Poultry: An investigation of a major poultry firm disclosed that live poultry was held on trucks after loading for up to 21 hours before weighing. Growers were not paid for the weight loss due to shrink during the holding period. Since grower pay was based on a comparison of performance which utilized weighing as a prime factor of measurement, the arbitrary delay in weighing also caused the pay rate, as determined by the performance formula, to be less. A civil action was filed against the firm for violating the weighing regulations.

TUESDAY, MARCH 18, 1986.

FEDERAL CROP INSURANCE CORPORATION

WITNESSES

FRANK W. NAYLOR, UNDER SECRETARY, SMALL COMMUNITY AND RURAL DEVELOPMENT

MERRITT W. SPRAGUE, MANAGER, FEDERAL CROP INSURANCE CORPORATION

EDWARD D. HEWS, DEPUTY MANAGER, FEDERAL CROP INSURANCE CORPORATION

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING REMARKS

Mr. WHITTEN. The Committee will now hear from the Federal Crop Insurance Corporation. We have with us today, Mr. Naylor, the Under Secretary; Mr. Sprague, Mr. Hews, and Mr. Dewhurst.

We did not have enough answers from you yesterday, Mr. Dewhurst, so we do not know how far to risk you today. [Laughter.]

We will be glad to hear from you, Mr. Sprague.

1987 BUDGET REQUEST

Mr. SPRAGUE. Mr. Chairman, it is my pleasure to appear before you today and this Subcommittee to present our 1987 budget. I will not read the prepared statement. I would like to ask it be entered into the record. I would like to highlight a couple of things.

We are submitting two budgets, really, for 1987. One under existing legislation and one under proposed legislation.

Mr. WHITTEN. I wonder if you can address yourself to the things with which we differ. You are proposing to take the ceiling off the Commodity Credit Corporation. Is that because of what you are going to spend for indemnities? If you take all the lid off, you could spend anything you want to. It is hard for me to understand how OMB with the budget we have, can ask the Congress just to take off all limitations on CCC spending.

Are you familiar with what their reasons are?

1985 FOOD AND SECURITY ACT

Mr. SPRAGUE. Mr. Chairman, the relationship of Federal Crop Insurance Corporation to the Commodity Credit Corporation today is one authorized under the terms of the 1985 Food and Security Act, whereby we may borrow money from the Commodity Credit Corporation to pay claims due to farmers and to reimburse private companies for the claims they paid farmers.

Mr. **Whitten**. I wish you would tell the Senate that because we have been hung up on the CCC supplemental for about two or three weeks. As part of that bill, we provided the full $2.7 billion for FmHA operating loans in an earlier Appropriations Act passed by the House and Senate and signed by the President. We find under the Senate rules that they can't release the full amount. Do they realize your situation?

Mr. **Sprague**. We have advised the members of the Senate like we did you this morning, that at this point the Federal Crop Insurance Corporation finds its capital reserves exhausted and unable to pay claims that come in the door from this point forward, except to the extent that premiums are collected.

Mr. **Whitten**. Now that you are getting your money from CCC, I presume you are recommending that; is that right?

Mr. **Sprague**. That was what was given to us by the United States Congress as part of the Food and Security Act.

Mr. **Whitten**. Did you recommend that the Congress do that?

Mr. **Sprague**. Not officially, sir.

Mr. **Whitten**. The reason I ask, I notice here that $250 million is proposed to be drawn from the Corporation. We have watched the insurance program through the years. In the earlier years it went broke because if farmers had a dry year and they laid seed on top of the ground and let it dry up so they could make a claim. We had to ease the program back in, just trying to get it back to where it was on an experimental basis. I have some great doubts as to whether the Crop Insurance will ever be a success. I know this Committee will work hard to make it work like it should. But when you come in and ask us to take the lid off CCC, where you can spend any amount, Crop Insurance could get $250 million without clearance by Congress, it makes me suspicious of your operations, which I think you can understand.

Mr. **Sprague**. Mr. Chairman, you should be aware that none of those funds go to pay salaries, administrative or operating expenses of any kind. They only go to pay benefits due to farmers.

COMMISSIONS PAID INSURANCE COMPANIES

Mr. **Whitten**. What commission do you pay the insurance companies under your present operation?

Mr. **Sprague**. It varies according to the service that is provided and it varies according to whether or not——

Mr. **Whitten**. I asked about money or percentages; how do you arrive at what you pay?

Mr. **Sprague**. We arrive at what we pay by considering what is necessary for the private insurance industry to provide——

Mr. **Whitten**. Is that paid by you or the recipient?

Mr. **Sprague**. Really by us. We make the offer.

Mr. **Whitten**. What have you paid to insurance companies in the last five years, by year?

Mr. **Sprague**. At the current time, we are paying——

Mr. **Whitten**. I didn't ask about the current time. I said the last five years.

Mr. **Sprague**. It depends upon which delivery system——

Mr. **Whitten**. It doesn't depend. That is a matter of record.

Mr. **Sprague**. I will have to review the record for the specific number. It is a substantial amount of funds.

Mr. **Whitten**. Can the Budget Officer give us any information on that at this time? It looks like you are getting out from under annual review and annual approval, when you take the lid off a $25 billion corporation and let it spend any amount it can get its hands on. This is what the 1987 budget recommends, and you in turn will receive $250 million from CCC. If I may say so, you should not hesitate in giving us some figures about what insurance companies are getting. It raises some serious questions.

Mr. **Sprague**. Mr. Chairman, we are here today to talk about the funds for administrative and operating expense usage.

Mr. **Whitten**. If I may say so, you are here to answer questions, too.

COMMODITY CREDIT CORPORATION AS SOURCE OF FUNDING

Mr. **Naylor**. Mr. Chairman, if I might, I share your concern. The reason for the use of the Commodity Credit Corporation as a source of funds was to ensure that in the event of a catastrophic loss which was covered by crop insurance, that farmers would indeed be able to receive their claim payments on a timely basis without the problems that might be attendant to coming in for specific supplemental appropriations or other authorization.

Obviously, those expenditures are ultimately subject to your review and oversight here within the Congress.

Mr. **Whitten**. You are familiar with the problem we have right now, in trying to pass the CCC bill.

Mr. **Naylor**. Yes; Mr. Chairman.

Mr. **Whitten**. We provided legislation in December, providing an appropriation of $2.7 billion for FmHA loans. It was passed by the House and Senate, agreed to in Conference, signed by the President. We included language in the CCC supplemental to confirm its availability. Now we find that the Senate rules provide that they have a certain ceiling which they have adopted for themselves which doesn't apply to the House—under which they have to reduce some other account if they increase something else.

We are constantly meeting with the Senate. They just adopted an amendment a while ago which ignores the fact that Congress provided the $2.7 billion and it was signed by the President. But the Senate rules won't let them approve it now.

You see what we are up against here. With the long history of crop insurance, where we have done everything in the world to try to make it work and haven't succeeded up to now, you want to just take money from the CCC without any limitation. We are not trying to run it, but somebody had better keep up with what is happening, because no limit was put on several items in the farm bill that was passed by the Congress.

Mr. **Naylor**. We share your concern, Mr. Chairman. Our principal objective in using CCC with regard to crop insurance was simply to ensure timely payment of claims. We do not pay any operating expenses or any funds due to the insurance industry or their agents in any way out of those funds.

Mr. **Whitten**. Do operating expenses include the commissions you pay to private companies?

Mr. **Sprague**. It does, sir.

Mr. **Whitten**. You cannot tell us what that has been for the last five years, for each of the years?

Mr. **Naylor**. Yes, Mr. Chairman. We can provide those numbers for the record. On the two categories, there are two separate contracts.

Mr. **Whitten**. You came here without bringing the information with you?

Mr. **Naylor**. I believe the figures may be here within our information. There are two types of payments.

FARM CREDIT CORPORATION

Mr. **Whitten**. This is serious business. It just looks like the recommendations of the Department are to have no lid on the Commodity Credit Corporation. I also haven't seen anything that the Farm Credit Administration has done to help the farmer yet, in looking at the organization, its salaries and its operations. The only way to borrow money from them is to show you can get it from a bank. If it is doubtful, they push them off on FmHA. Isn't that correct?

Mr. **Naylor**. I am not there yet, Mr. Chairman. There are provisions of that legislation that deal much more forthrightly with producers that are under stress and give that system considerably more discretion. I would expect those authorities would be used.

Mr. **Whitten**. Mr. Sprague, you might go ahead. Maybe you can call down and get us the figures.

FIVE-YEAR DELIVERY COST OF CROP INSURANCE PROGRAM

Mr. **Sprague**. Mr. Chairman, let me give you some numbers for 1983, 1984, 1985 and 1986, that relate to your specific request. In 1983, we paid reinsured companies $35.6 million. That rose to $78.9 million in 1984, to $102.9 million in 1985, $136.1 million in 1986, and we are projecting in 1987 it will go as high as $184 million, if we meet our targets for program participation. We also have adjustment contractors and agencies selling under the Agency Sales and Service Agreements who received in 1983, $33.6 million; in 1984, $37.3 million; in 1985, $28 million; in 1986, $17.4 million; and we are projecting in 1987 that number will be $3.4 million.

Those expenditures bear a direct relationship to the amount of business and they bear also a very close relationship to our expectations for what any other alternative method of delivery would cost, including that of using the Federal Government as an insurance company and providing direct services to farmers.

Mr. **Whitten**. You might go ahead with your statement. From my questions you can see why we want to know more than we have been able to learn in the past.

FEDERAL CROP INSURANCE CORPORATION EXPENDITURES

Mr. **Sprague**. Under both proposals that we are submitting today, the expenditures are expected to be the same, the same costs for administrative and operating expenses, the same costs for each of the functions provided by the Federal Crop Insurance Corporation.

The only difference between the two proposals is the source of that funding. Under existing legislation, appropriated funds would supply the necessary monies to administer the program. Under proposed legislation, a share of those costs would be borne by the user of the program, the client.

PROPOSED LEGISLATION FOR FY 1987

Mr. WHITTEN. What progress have you made before the Legislative Committee on the user fee?

Mr. SPRAGUE. We have made none to date, sir.

Mr. WHITTEN. When are you going to start trying?

Mr. SPRAGUE. We expect accompanying legislation to implement this budget proposal to be submitted shortly to the Hill. It is not here to date.

Mr. WHITTEN. What do you mean by "shortly"?

Mr. SPRAGUE. Within a matter of a few days or a few weeks at the very most.

Mr. WHITTEN. Would you suggest that we ask you to come back after that has been done?

Mr. SPRAGUE. That's up to you, sir.

Mr. WHITTEN. Proceed.

ADMINISTRATIVE AND OPERATING EXPENSES

Mr. SPRAGUE. The total expected to be utilized for administrative and operating purposes in 1987 fiscal year is $240 million, regardless of which law we have. The expectations for premium subsidy under existing legislation are $124 million. That bears a direct relationship to the amount of business which is in force in the current year, crop year 1986. This budget provides for a rather substantial amount of program growth through the next fiscal year.

PAST HISTORY OF THE CROP INSURANCE PROGRAM

Quickly reviewing our past history, this program has grown from the point where it only made insurance offers in approximately half of the agricultural counties in the United States to a point where we now make insurance offers to producers in some 3,000 plus counties with significant agriculture production.

Further, our number of county programs that are offered has grown from 4,629 in 1980 to nearly 19,000 in the current year, in the most recent year really.

Program availability has substantially increased. As that has happened, the acres insured have also increased. In 1985, we had a record level of acres that were protected under the crop insurance program across this country. About 49 million acres were insured. We are expecting that number to grow in 1986 to the extent that in 1986, we anticipate something close to 58 million acres to be fully insured under the crop insurance program. We are projecting continued growth in 1987 and that would be possible with this kind of a budget.

GRAMM-RUDMAN ACT

This budget is part of a total package, at least the portion of it that includes the proposed legislation, which is designed to comply with the Gramm-Rudman Act which was passed last year by this Congress. That Act, as you know, requires the submission of a budget and proposed changes to legislation so that targets can be met for reducing the Federal deficit.

Such action requires some very hard choices on the part of people like myself and the members of the Department of Agriculture in the allocation of its resources. At the Department, the choice was made to propose dramatic reductions in the Federal Crop Insurance Corporation's budget in future years in order that monies be made available for other purposes within the Department out of limited resources.

Personally, I believe that if it is public policy to enhance or supplement farm income, that some of the other programs that we administer in the Department of Agriculture can make more effective use of the limited amount of funds which are available.

MAJOR ROLE OF PRIVATE INSURANCE INDUSTRY EXPANSION

The private insurance industry has played a major role in the expansion of this program over the course of the last five years. In my opinion, they now have sufficient experience and commitment to service what until now has been a relatively new line of business for them. I believe they are ready to assume over the next five years, full responsibility for the crop insurance program.

The Corporation, following the direction of Congress in the period of time since the 1980 Act was passed, has provided encouragement and opportunity to the private insurance industry through the sales and service agreement and through the reinsurance agreement. This support has led to the development of the delivery capability necessary to assure widespread availability of needed protection to our nation's farmers. At the same time, the public support provided an incentive through the premium subsidy to producers to make use at below real cost of a risk management tool that they previously were unfamiliar with, thus crop insurance has become a part of the normal business practice of a growing number of farmers in this country.

This recommended budget, these recommendations in regard to legislation, makes sense today because the capability to provide and service crop insurance exists in the private sector, because crop insurance is becoming a generally accepted business practice of a large number of farmers across this country, and because there are preferable uses for the limited number of Federal dollars that are available.

This budget and the accompanying legislation is of course subject to alteration by Congress, if they can find a place to cut another agricultural program budget in an amount sufficient to fund the alternative. It is presented by me today as our recommendation to you as one of the appropriate actions to take, one of the appropriate adjustments to make, in order to comply with the mandate we all have, to try to make the dollars stretch to cover the needs.

Mr. Chairman, that concludes my statement. I would be delighted to respond to questions.

[CLERK NOTE.—The full test of Mr. Sprague's prepared statement appears on pages 281 through 288. The explanatory notes appear on pages 291 through 341.

PHASEOUT OF FEDERAL SUBSIDIES

Mr. WHITTEN. For fiscal year 1987, you are proposing to phase out the Federal subsidies for premiums and administrative expenses over a five-year period. Have you conducted any analysis to determine what the phase out of subsidies will do to the premium rate structure and subsequently to producer participation on the program? If so, please provide copies for the record.

Mr. SPRAGUE. We will provide for the record a copy of our analysis, by crop and by state, which shows the increases in premium rates resulting from the phaseout of Federal subsidies and administrative expenses. Not included are any rate increases which may be necessary to improve the actuarial soundness of the program.

The increasing recognition of crop insurance as an important risk management tool and lender requirements for insurance as loan collateral lead us to believe that participation will not be affected adversely.

FEDERAL CROP INSURANCE CORPORATION--IMPACT OF PHASE-OUT OF PREMIUM SUBSIDY AND ADMINISTRATIVE EXPENSES--FY 1987-91 Page 1 of 3

	CURRENT (CROP YEAR 1985)					1ST YEAR PHASE-OUT: NET-RISK PREMIUM				1ST YEAR PHASE-OUT: GROSS PREMIUM Includes Admin. & Operating Expenses	
	Insured Acres (000)	Total Premium ($000)	Premium Subsidy 0.23417 ($000)	Farmer Premium 0.76583 ($000)	Farmer Premium Per Acre	Premium Subsidy 0.119536 ($000)	Farmer Premium 0.880464 ($000)	Insured Acres (000)	Farmer Premium Per Acre	Farmer Premium ($000)	Farmer Premium Per Acre
Almonds	52	$3,492	$818	$2,674	$51.74	$556	$4,092	73	$56.21	$5,003	$68.73
Apples	16	1,775	416	1,360	83.72	282	2,080	23	90.95	2,544	111.21
Barley	3,114	16,204	3,795	12,410	3.99	2,578	18,989	4,386	4.33	23,219	5.29
Beans	316	3,905	914	2,990	9.46	621	4,576	445	10.28	5,595	12.57
Citrus	60	2,573	603	1,971	32.62	409	3,015	85	35.44	3,687	43.33
Citrus Trees	10	293	69	224	22.06	47	343	14	23.96	420	29.30
Combined Crop	139	343	80	263	1.89	55	402	196	2.06	492	2.52
Corn	12,191	113,845	26,659	87,186	7.15	18,112	133,406	17,173	7.77	163,124	9.50
Cotton	1,391	20,089	4,704	15,385	11.06	3,196	23,549	1,960	12.01	28,784	14.69
Cotton, ELS	3	82	19	62	19.38	13	96	5	21.05	117	25.74
Cranberry	1	185	43	142	141.60	29	217	1	153.90	265	188.18
Flax	94	461	108	353	3.77	73	540	132	4.10	660	5.01
Forage Seeding	2	6	2	5	3.01	1	8	2	3.27	9	4.00
Forage Production	1	6	1	5	3.32	1	7	2	3.61	9	4.41
Grain Sorghum	2,253	14,876	3,483	11,392	5.06	2,367	17,432	3,174	5.49	21,315	6.72
Grapes	51	2,065	484	1,582	31.25	329	2,420	71	33.95	2,959	41.51
Grapes, Table	14	1,491	349	1,142	84.06	237	1,747	19	91.31	2,137	111.65
Hybrid Seed	372	10,226	2,395	7,831	21.05	1,627	11,983	524	22.86	14,652	27.96
Oats	333	1,355	317	1,038	3.12	216	1,588	469	3.39	1,942	4.14
Peaches	32	1,789	419	1,370	42.17	285	2,096	46	45.00	2,563	56.01
Peanut	629	15,484	3,626	11,858	18.85	2,463	18,144	886	20.47	22,186	25.03
Peas, Dry	27	211	49	161	5.90	34	247	38	6.41	302	7.84
Peas, Green	55	701	164	537	9.76	112	822	78	10.60	1,005	12.96
Pepper	3	427	100	327	115.59	68	500	4	125.56	611	153.53
Popcorn	37	390	91	299	8.09	62	457	52	8.79	559	10.75
Potatoes	107	3,520	824	2,695	25.26	560	4,124	150	27.44	5,043	33.55
Prevented Planting	1	1	0	1	1.18	0	2	1	1.28	2	1.57
Raisins	273	9,434	2,209	7,224	26.49	1,501	11,054	384	28.77	13,517	35.18
Rice	144	1,130	265	866	5.99	180	1,324	203	6.51	1,619	7.96
Rye	4	18	4	14	3.15	3	21	6	3.42	26	4.19
Soybeans	9,686	91,629	21,457	70,172	7.25	14,577	107,372	13,643	7.87	131,291	9.62
Sugar Beets	112	1,931	452	1,479	13.17	307	2,262	158	14.30	2,766	17.49
Sugarcane	26	841	197	644	24.33	134	986	37	26.43	1,205	32.32
Sunflowers	804	4,974	1,165	3,809	4.74	791	5,829	1,133	5.15	7,127	6.29
Sweet Corn	25	310	73	237	9.46	49	363	35	10.27	444	12.56
Sweet Corn, Fresh Mkt	6	111	26	85	13.50	18	130	9	14.75	159	18.04
Tobacco	276	18,159	4,252	13,907	50.38	2,889	21,279	389	54.73	26,019	66.92
Tomatoes--Fresh	11	1,919	449	1,470	132.23	305	2,249	16	143.63	2,750	175.63
Tomatoes--Processed	58	3,303	774	2,530	43.85	526	3,871	81	47.63	4,733	58.24
Walnuts	3	98	23	75	22.60	16	115	5	24.63	141	30.12
Wheat	15,947	90,348	21,157	69,191	4.34	14,373	105,871	22,464	4.71	129,455	5.76
Subtotal (Excls P.R.)	48,681	440,000	103,035	336,965	6.92	70,000	515,600	68,574	7.52	630,459	9.19
% ADDL COST PER ACRE TO FARMER									8.626%	114,859	32.824%

FEDERAL CROP INSURANCE CORPORATION—IMPACT OF PHASE-OUT OF PREMIUM SUBSIDY AND ADMINISTRATIVE EXPENSES—FY 1987-91 Page 2 of 3

	2ND YEAR PHASE-OUT						3RD YEAR PHASE-OUT					
	NET-RISK PREMIUM				GROSS PREMIUM Includes Admin. & Operating Expenses		NET-RISK PREMIUM				GROSS PREMIUM Includes Admin. & Operating Expenses	
	Premium Subsidy 0.053846 ($000)	Farmer Premium 0.946154 ($000)	Insured Acres (000)	Farmer Premium Per Acre	Farmer Premium ($000)	Farmer Premium Per Acre	Premium Subsidy 0.05 ($000)	Farmer Premium 0.95 ($000)	Insured Acres (000)	Farmer Premium Per Acre	Farmer Premium ($000)	Farmer Premium Per Acre
Almonds	$278	$4,891	81	$60.40	$6,367	$78.79	$278	$5,277	87	$60.65	$7,287	$83.75
Apples	141	2,401	25	97.73	3,237	127.49	141	2,683	27	98.13	3,705	135.50
Barley	1,209	22,649	4,868	4.65	29,546	6.07	1,209	24,491	5,243	4.67	33,810	6.45
Beans	311	5,458	494	11.04	7,119	14.41	311	5,901	532	11.09	8,149	15.31
Citrus	205	3,597	94	38.08	4,692	49.68	205	3,889	102	38.24	5,370	52.80
Citrus Trees	23	410	16	25.75	534	33.59	23	443	17	25.85	612	35.70
Combined Crop	27	480	217	2.21	626	2.88	27	519	234	2.22	716	3.06
Corn	9,056	159,124	19,061	8.35	207,575	10.89	9,056	172,061	20,527	8.38	237,500	11.57
Cotton	1,590	28,079	2,176	12.91	36,628	16.84	1,590	30,361	2,343	12.96	41,924	17.89
Cotton, ELS	6	114	5	22.62	149	29.51	6	123	5	22.72	170	31.37
Cranberry	15	259	2	165.30	337	215.74	15	280	2	166.06	386	229.30
Flax	37	644	146	4.41	840	5.75	37	697	157	4.42	962	6.11
Forage Seeding	1	9	3	3.51	12	4.58	1	10	3	3.53	13	4.87
Forage Production	1	9	2	3.88	12	5.06	1	10	2	3.89	13	5.30
Grain Sorghum	1,183	20,792	3,523	5.90	27,123	7.70	1,183	22,403	3,794	5.93	31,045	8.18
Grapes	164	2,887	79	36.48	3,766	47.59	164	3,121	85	36.63	4,310	50.50
Grapes, Table	119	2,084	21	98.12	2,719	128.00	119	2,254	23	98.52	3,112	136.05
Hybrid Seed	813	14,293	582	24.57	18,645	32.05	813	15,455	626	24.67	21,341	34.06
Oats	108	1,894	521	3.64	2,471	4.75	108	2,040	561	3.65	2,828	5.04
Peaches	142	2,508	51	49.22	3,261	64.21	142	2,703	55	49.42	3,733	68.25
Peanut	1,232	21,642	984	22.00	28,231	28.70	1,232	23,401	1,059	22.09	32,313	30.50
Peas, Dry	17	294	43	6.89	384	8.99	17	318	46	6.92	440	9.56
Peas, Green	56	980	86	11.39	1,279	14.86	56	1,060	93	11.44	1,464	15.79
Pepper	34	596	4	134.93	778	176.01	34	645	5	135.40	890	187.07
Popcorn	31	545	58	9.45	711	12.33	31	590	62	9.49	814	13.10
Potatoes	200	4,919	167	29.49	6,417	38.47	200	5,319	180	29.61	7,345	40.88
Prevented Planting	0	2	1	1.38	2	1.80	0	2	1	1.39	3	1.91
Raisins	750	13,185	426	30.92	17,200	40.33	750	14,257	459	31.05	19,687	42.87
Rice	90	1,580	226	7.00	2,061	9.13	90	1,900	243	7.82	2,359	9.70
Rye	1	25	7	3.60	33	4.80	1	27	7	3.69	37	5.10
Soybeans	7,209	128,072	15,144	8.46	167,060	11.03	7,209	138,404	16,300	8.49	191,224	11.73
Sugar Beets	154	2,690	176	15.37	3,520	20.05	154	2,910	189	15.43	4,029	21.31
Sugarcane	67	1,176	41	28.40	1,533	37.05	67	1,271	45	28.52	1,755	39.38
Sunflowers	396	6,953	1,257	5.53	9,070	7.21	396	7,518	1,354	5.55	10,381	7.67
Sweet Corn	25	433	39	11.04	565	14.40	25	469	42	11.00	647	15.30
Sweet Corn, Fresh Mkt	9	155	10	15.85	203	20.68	9	168	11	15.92	232	21.90
Tobacco	1,444	25,381	432	58.81	33,109	76.72	1,444	27,445	465	59.05	37,897	81.54
Tomatoes--Fresh	153	2,603	17	154.35	3,500	201.35	153	2,901	19	154.90	4,086	214.00
Tomatoes--Processed	263	4,617	90	51.18	6,023	66.77	263	4,992	97	51.39	6,894	70.97
Walnuts	8	137	5	26.47	179	34.53	8	149	6	26.50	205	36.70
Wheat	7,187	126,281	24,934	5.06	164,732	6.61	7,187	136,540	26,852	5.09	188,550	7.02
Subtotal (Excls P.P.)	35,000	615,000	76,115	8.08	802,257	10.54	35,000	665,000	81,960	8.11	918,255	11.20
% ADDL COST PER ACRE TO FARMER				16.730%	187,257	52.273%				17.207%	253,255	61.043%

FEDERAL CROP INSURANCE CORPORATION—IMPACT 6. PHASE-OUT OF PREMIUM SUBSIDY AND ADMINISTRATIVE EXPENSES—FY 1987-91 Page 3 of 3

	4TH YEAR PHASE-OUT						5TH YEAR PHASE-OUT					
	NET-RISK PREMIUM				GROSS PREMIUM Includes Admin. & Operating Expenses		NET-RISK PREMIUM				GROSS PREMIUM Includes Admin. & Operating Expenses	
	Premium Subsidy 0 ($000)	Farmer Premium 1 ($000)	Insured Acres (000)	Farmer Premium Per Acre	Farmer Premium ($000)	Farmer Premium Per Acre	Premium Subsidy 0 ($000)	Farmer Premium 1 ($000)	Insured Acres (000)	Farmer Premium Per Acre	Farmer Premium ($000)	Farmer Premium Per Acre
Almonds	$0	$5,952	93	$63.04	$8,393	$90.03	$0	$6,349	99	$63.04	$9,063	$91.14
Apples	0	3,026	29	103.30	4,267	145.67	0	3,228	31	103.30	4,608	147.46
Barley	0	27,621	5,617	4.92	38,951	6.93	0	29,463	5,992	4.92	42,060	7.02
Beans	0	6,656	570	11.67	9,386	16.46	0	7,099	608	11.67	10,135	16.66
Citrus	0	4,386	109	40.25	6,186	56.76	0	4,679	116	40.25	6,679	57.46
Citrus Trees	0	500	18	27.22	704	38.38	0	533	20	27.22	761	38.05
Combined Crop	0	585	250	2.34	825	3.29	0	624	267	2.34	891	3.34
Corn	0	194,054	21,993	8.82	273,651	12.44	0	206,991	23,459	8.82	295,494	12.60
Cotton	0	34,242	2,510	13.64	48,287	19.24	0	36,525	2,678	13.64	52,142	19.47
Cotton, ELS	0	139	6	23.91	196	33.72	0	148	6	23.91	212	34.14
Cranberry	0	315	2	174.00	445	246.49	0	336	2	174.00	480	249.53
Flax	0	786	169	4.66	1,108	6.57	0	838	180	4.66	1,196	6.65
Forage Seeding	0	11	3	3.71	15	5.24	0	12	3	3.71	17	5.30
Forage Production	0	11	3	4.10	15	5.78	0	12	3	4.10	16	5.85
Grain Sorghum	0	25,357	4,065	6.24	35,757	8.80	0	27,047	4,336	6.24	38,611	8.90
Grapes	0	3,520	91	38.56	4,964	54.37	0	3,755	97	38.56	5,361	55.04
Grapes, Table	0	2,542	25	103.71	3,584	146.25	0	2,711	26	103.71	3,870	148.05
Hybrid Seed	0	17,430	671	25.97	24,580	36.62	0	18,592	716	25.97	26,542	37.07
Oats	0	2,310	601	3.85	3,258	5.42	0	2,464	641	3.85	3,518	5.49
Peaches	0	3,049	59	52.02	4,299	73.36	0	3,252	63	52.02	4,642	74.27
Peanut	0	26,393	1,135	23.25	37,218	32.79	0	28,152	1,211	23.25	40,189	33.19
Peas, Dry	0	359	49	7.28	506	10.27	0	383	53	7.28	547	10.40
Peas, Green	0	1,195	99	12.04	1,686	16.98	0	1,275	106	12.04	1,820	17.19
Pepper	0	727	5	142.61	1,026	201.10	0	776	5	142.61	1,107	203.50
Popcorn	0	665	67	9.99	938	14.00	0	709	71	9.99	1,013	14.26
Potatoes	0	5,999	192	31.17	8,460	43.95	0	6,399	205	31.17	9,135	44.49
Prevented Planting	0	2	2	1.46	3	2.06	0	2	2	1.46	4	2.08
Raisins	0	16,080	492	32.68	22,675	46.08	0	17,152	525	32.68	24,485	46.65
Rice	0	1,926	261	7.39	2,717	10.43	0	2,055	278	7.39	2,933	10.56
Rye	0	30	8	3.89	43	5.48	0	32	8	3.89	46	5.55
Soybeans	0	156,185	17,473	8.94	220,249	12.60	0	166,598	18,638	8.94	237,830	12.76
Sugar Beets	0	3,291	203	16.24	4,641	22.90	0	3,510	216	16.24	5,011	23.19
Sugarcane	0	1,434	48	30.02	2,022	42.33	0	1,529	51	30.02	2,183	42.85
Sunflowers	0	8,479	1,451	5.84	11,957	8.24	0	9,044	1,548	5.84	12,911	8.34
Sweet Corn	0	529	45	11.67	745	16.45	0	564	48	11.67	805	16.65
Sweet Corn, Fresh Mkt	0	190	11	16.75	267	23.62	0	202	12	16.75	289	23.92
Tobacco	0	30,953	498	62.16	43,649	87.65	0	33,016	531	62.16	47,133	88.73
Tomatoes--Fresh	0	3,272	20	163.14	4,614	230.05	0	3,490	21	163.14	4,982	232.89
Tomatoes--Processed	0	5,630	104	54.10	7,940	76.29	0	6,006	111	54.10	8,574	77.23
Walnuts	0	168	6	27.98	236	39.45	0	179	6	27.98	255	39.94
Wheat	0	154,001	28,770	5.35	217,169	7.55	0	164,268	30,680	5.35	234,504	7.64
Subtotal (Excls P.R.)	0	750,000	87,823	8.54	1,057,633	12.04	0	800,000	93,678	8.54	1,142,054	12.19
% ADDL COST PER ACRE TO FARMER				23.376%	307,633	73.901%				23.376%	342,054	76.127%

FEDERAL CROP INSURANCE CORPORATION--IMPACT OF PHASE-OUT OF PREMIUM SUBSIDY AND ADMINISTRATIVE EXPENSES--FY 1987-91 Page 1 of 3

	CURRENT (CROP YEAR 1985)					1ST YEAR PHASE-OUT					
						NET-RISK PREMIUM				GROSS PREMIUM Includes Admin. & Operating Expenses	
	Insured Acres (000)	Total Premium ($000)	Premium Subsidy 0.23417 ($000)	Farmer Premium 0.76583 ($000)	Farmer Premium Per Acre	Premium Subsidy 0.119536 ($000)	Farmer Premium 0.880464 ($000)	Insured Acres (000)	Farmer Premium Per Acre	Farmer Premium ($000)	Farmer Premium Per Acre
Alabama	493	$7,295	$1,708	$5,587	$11.33	$1,161	$8,540	694	$12.31	$10,453	$15.05
Alaska	0	0	0	0	0.00	0	0	0	0.00	0	0.00
Arizona	24	472	111	361	15.06	75	553	34	16.36	676	20.01
Arkansas	751	10,321	2,417	7,904	10.52	1,642	12,094	1,058	11.43	14,709	13.90
California	613	21,966	5,144	16,822	27.44	3,495	25,740	863	29.81	31,474	36.45
Colorado	675	6,766	1,584	5,182	7.68	1,076	7,929	951	8.34	9,695	10.20
Connecticut	2	101	24	77	38.67	16	118	3	42.01	145	51.37
Delaware	28	320	75	245	8.75	51	375	39	9.51	459	11.63
Florida	183	6,135	1,437	4,698	25.67	976	7,189	258	27.89	8,791	34.10
Georgia	937	14,798	3,465	11,333	12.09	2,354	17,341	1,320	13.14	21,203	16.06
Hawaii	0	0	0	0	0.00	0	0	0	0.00	0	0.00
Idaho	252	2,211	518	1,693	6.72	352	2,591	355	7.30	3,168	8.92
Illinois	2,082	19,679	4,608	15,071	7.24	3,131	23,060	2,933	7.86	28,197	9.61
Indiana	1,249	11,720	2,744	8,976	7.19	1,865	13,734	1,759	7.81	16,793	9.54
Iowa	6,010	50,786	11,893	38,893	6.47	8,080	59,512	8,466	7.03	72,769	8.60
Kansas	3,413	23,093	5,408	17,685	5.18	3,674	27,061	4,806	5.63	33,089	6.88
Kentucky	351	6,168	1,444	4,724	13.46	981	7,228	494	14.62	8,830	17.88
Louisiana	404	6,200	1,452	4,748	11.75	986	7,265	569	12.77	8,884	15.61
Maine	47	1,452	340	1,112	23.66	231	1,701	66	25.78	2,081	31.43
Maryland	39	419	98	321	8.23	67	491	55	8.94	600	10.93
Massachusetts	3	152	36	116	38.80	24	170	4	42.15	218	51.54
Michigan	138	1,438	337	1,101	7.98	229	1,685	194	8.67	2,060	10.60
Minnesota	3,383	25,763	6,033	19,730	5.83	4,099	30,190	4,765	6.34	36,915	7.75
Mississippi	642	8,152	1,909	6,243	9.72	1,297	9,553	904	10.56	11,681	12.92
Missouri	2,254	23,317	5,460	17,857	7.92	3,710	27,323	3,175	8.61	33,410	10.52
Montana	4,586	24,591	5,758	18,833	4.11	3,912	28,816	6,460	4.46	35,235	5.45
Nebraska	4,095	35,600	8,336	27,264	6.66	5,664	41,717	5,768	7.23	51,010	8.84
Nevada	2	20	5	15	7.66	3	23	3	8.32	29	10.17
New Hampshire	0	1	0	1	0.00	0	1	0	0.00	1	0.00
New Jersey	12	140	33	107	8.93	22	164	17	9.71	201	11.87
New Mexico	106	965	226	739	6.97	154	1,131	149	7.57	1,383	9.26
New York	26	487	114	373	14.34	77	571	37	15.58	698	19.05
North Carolina	641	17,758	4,158	13,600	21.22	2,825	20,809	903	23.05	25,445	28.18
North Dakota	7,042	35,947	8,418	27,529	3.91	5,719	42,123	9,920	4.25	51,507	5.19
Ohio	674	5,490	1,286	4,204	6.24	873	6,433	949	6.78	7,866	8.29
Oklahoma	983	7,429	1,740	5,689	5.79	1,182	8,705	1,385	6.29	10,645	7.69
Oregon	376	1,358	318	1,040	2.77	216	1,591	530	3.00	1,946	3.67
Pennsylvania	70	919	215	704	10.05	146	1,077	99	10.92	1,317	13.35
Rhode Island	0	10	2	8	0.00	2	12	0	0.00	14	0.00
South Carolina	319	7,023	1,645	5,378	16.86	1,117	8,230	449	18.31	10,063	22.39
South Dakota	1,357	9,131	2,138	6,993	5.15	1,453	10,700	1,912	5.60	13,083	6.84
Tennessee	84	1,393	326	1,067	12.70	222	1,632	118	13.80	1,996	16.87
Texas	2,844	29,763	6,970	22,793	8.01	4,735	34,877	4,006	8.71	42,646	10.65
Utah	29	265	62	203	7.00	42	311	41	7.60	380	9.30
Vermont	2	60	14	46	22.97	10	70	3	20.96	86	30.52
Virginia	288	5,515	1,291	4,224	14.67	877	6,463	406	15.93	7,902	19.40
Washington	874	4,401	1,031	3,370	3.86	700	5,157	1,231	4.19	6,306	5.12
West Virginia	4	50	12	38	9.57	8	59	6	10.40	72	12.72
Wisconsin	167	1,849	433	1,416	8.48	294	2,167	235	9.21	2,649	11.26
Wyoming	146	1,111	260	851	5.83	177	1,302	206	6.33	1,592	7.74
Subtotal (Excls P.R.)	48,700	440,000	103,035	336,965	6.92	70,000	515,600	68,600	7.52	630,459	9.19
% ANNL COST PER ACRE TO FARMER									8.626%	114,859	32.824%

FEDERAL CROP INSURANCE CORPORATION--IMPACT OF PHASE-OUT OF PREMIUM SUBSIDY AND ADMINISTRATIVE EXPENSES--FY 1987-91 Page 2 of 3

	2ND YEAR PHASE-OUT						3RD YEAR PHASE-OUT					
	NET-RISK PREMIUM				GROSS PREMIUM Includes Admin. & Operating Expenses		NET-RISK PREMIUM				GROSS PREMIUM Includes Admin. & Operating Expenses	
	Premium Subsidy 0.053846 ($000)	Farmer Premium 0.946154 ($000)	Insured Acres (000)	Farmer Premium Per Acre	Farmer Premium ($000)	Farmer Premium Per Acre	Premium Subsidy 0.05 ($000)	Farmer Premium 0.95 ($000)	Insured Acres (000)	Farmer Premium Per Acre	Farmer Premium ($000)	Farmer Premium Per Acre
Alabama	$500	$10,196	771	$13.23	$13,301	$17.26	$500	$11,025	830	$13.28	$15,224	$18.34
Alaska	0	0	0	0.00	0	0.00	0	0	0	0.00	0	0.00
Arizona	38	660	38	17.50	861	22.93	38	713	40	17.65	985	24.38
Arkansas	821	14,426	1,174	12.29	18,818	16.03	821	15,599	1,265	12.34	21,539	17.03
California	1,747	30,702	958	32.03	40,051	41.79	1,747	33,199	1,032	32.16	45,842	44.41
Colorado	538	9,457	1,055	8.96	12,337	11.69	538	10,226	1,137	9.00	14,120	12.42
Connecticut	8	141	3	45.14	184	58.89	8	153	3	45.33	211	62.59
Delaware	25	447	44	10.22	583	13.33	25	484	47	10.26	660	14.17
Florida	488	8,575	286	29.97	11,186	39.09	488	9,272	308	30.09	12,803	41.55
Georgia	1,177	20,684	1,465	14.12	26,981	18.42	1,177	22,365	1,578	14.18	30,883	19.57
Hawaii	0	0	0	0.00	0	0.00	0	0	0	0.00	0	0.00
Idaho	176	3,098	394	7.86	4,031	10.23	176	3,342	424	7.88	4,614	10.87
Illinois	1,565	27,506	3,255	8.45	35,881	11.02	1,565	29,742	3,506	8.48	41,069	11.72
Indiana	932	16,301	1,953	8.39	21,369	10.94	932	17,713	2,103	8.42	24,459	11.63
Iowa	4,040	70,985	9,397	7.55	92,599	9.85	4,040	76,756	10,120	7.58	105,987	10.47
Kansas	1,837	32,278	5,336	6.05	42,106	7.89	1,837	34,882	5,747	6.07	48,194	8.39
Kentucky	491	8,621	549	15.71	11,246	20.49	491	9,322	591	15.77	12,872	21.78
Louisiana	493	8,666	632	13.72	11,305	17.90	493	9,370	680	13.78	12,939	19.02
Maine	116	2,030	73	27.62	2,647	36.03	116	2,194	79	27.73	3,030	38.29
Maryland	33	586	61	9.60	764	12.53	33	633	66	9.64	874	13.32
Massachusetts	12	212	5	45.29	277	59.08	12	230	5	45.48	317	62.88
Michigan	114	2,010	216	9.32	2,622	12.15	114	2,173	232	9.35	3,001	12.92
Minnesota	2,049	36,010	5,289	6.81	46,974	8.88	2,049	38,937	5,696	6.84	53,766	9.44
Mississippi	640	11,394	1,004	11.35	14,864	14.81	640	12,321	1,081	11.40	17,013	15.74
Missouri	1,855	32,591	3,524	9.25	42,514	12.06	1,855	35,240	3,795	9.29	48,661	12.82
Montana	1,956	34,372	7,170	4.79	44,837	6.25	1,956	37,166	7,722	4.81	51,320	6.65
Nebraska	2,832	49,759	6,403	7.77	64,910	10.14	2,832	53,805	6,895	7.80	74,295	10.78
Nevada	2	28	3	8.94	36	11.66	2	30	3	8.98	42	12.39
New Hampshire	0	1	0	0.00	2	0.00	0	2	0	0.00	2	0.00
New Jersey	11	196	19	10.43	255	13.61	11	212	20	10.47	292	14.46
New Mexico	77	1,349	166	8.14	1,759	10.62	77	1,450	178	8.17	2,014	11.28
New York	39	681	41	16.74	860	21.04	39	736	44	16.81	1,016	23.22
North Carolina	1,413	24,821	1,002	24.77	32,378	32.31	1,413	26,839	1,079	24.87	37,060	34.34
North Dakota	2,859	50,244	11,010	4.56	65,543	5.95	2,859	54,329	11,857	4.58	75,019	6.33
Ohio	437	7,674	1,054	7.28	10,010	9.50	437	8,297	1,135	7.31	11,457	10.10
Oklahoma	591	10,384	1,537	6.76	13,545	8.81	591	11,228	1,655	6.78	15,504	9.37
Oregon	108	1,898	588	3.23	2,476	4.21	108	2,052	633	3.24	2,834	4.48
Pennsylvania	73	1,285	109	11.74	1,676	15.31	73	1,389	118	11.78	1,910	16.27
Rhode Island	1	14	0	0.00	18	0.00	1	15	0	0.00	21	0.00
South Carolina	559	9,816	499	19.68	12,805	25.67	559	10,614	537	19.76	14,657	27.29
South Dakota	726	12,763	2,122	6.02	16,649	7.85	726	13,800	2,285	6.04	19,056	8.34
Tennessee	111	1,947	131	14.82	2,540	19.34	111	2,105	141	14.89	2,907	20.55
Texas	2,360	41,601	4,447	9.36	54,267	12.20	2,360	44,903	4,789	9.39	62,114	12.97
Utah	21	370	45	8.17	483	10.66	21	401	49	8.20	553	11.33
Vermont	5	84	3	26.82	109	34.98	5	91	3	26.93	125	37.18
Virginia	439	7,708	450	17.12	10,056	22.33	439	8,335	485	17.19	11,509	23.73
Washington	350	6,151	1,367	4.50	8,024	5.87	350	6,652	1,472	4.52	9,185	6.24
West Virginia	4	70	6	11.17	91	14.50	4	76	7	11.22	104	15.49
Wisconsin	147	2,584	261	9.90	3,371	12.91	147	2,795	281	9.94	3,859	13.72
Wyoming	88	1,553	228	6.81	2,026	8.87	88	1,679	246	6.83	2,319	9.43
Subtotal (Excls P.R.)	35,000	615,000	76,144	8.08	802,257	10.54	35,000	665,000	82,000	8.11	910,255	11.20
% ADDL COST PER ACRE TO FARMER				16.730%	187257	52.273%				17.287%	253255	61.043%

FEDERAL CROP INSURANCE CORPORATION--IMPACT OF PHASE-OUT OF PREMIUM SUBSIDY AND ADMINISTRATIVE EXPENSES--FY 1987-91

	4TH YEAR PHASE-OUT						5TH YEAR PHASE-OUT					
	NET-RISK PREMIUM				GROSS PREMIUM Includes Admin. & Operating Expenses		NET-RISK PREMIUM				GROSS PREMIUM Includes Admin. & Operating Expenses	
	Premium Subsidy 0 ($000)	Farmer Premium 1 ($000)	Insured Acres (000)	Farmer Premium Per Acre	Farmer Premium ($000)	Farmer Premium Per Acre	Premium Subsidy 0 ($000)	Farmer Premium 1 ($000)	Insured Acres (000)	Farmer Premium Per Acre	Farmer Premium ($000)	Farmer Premium Per Acre
Alabama	$0	$12,435	889	$13.98	$17,535	$19.72	$0	$13,264	949	$13.98	$18,935	$19.96
Alaska	0	0	0	0.00	0	0.00	0	0	0	0.00	0	0.00
Arizona	0	805	43	18.50	1,135	26.20	0	850	46	18.50	1,225	26.53
Arkansas	0	17,593	1,355	12.99	24,809	18.31	0	18,765	1,445	12.99	26,789	18.54
California	0	37,442	1,106	33.86	52,800	47.74	0	39,938	1,180	33.86	57,014	48.33
Colorado	0	11,533	1,218	9.47	16,264	13.36	0	12,302	1,299	9.47	17,562	13.52
Connecticut	0	172	4	47.71	243	67.29	0	184	4	47.71	262	68.12
Delaware	0	545	51	10.80	769	15.23	0	582	54	10.80	831	15.42
Florida	0	10,457	330	31.68	14,747	44.67	0	11,155	352	31.68	15,924	45.22
Georgia	0	25,224	1,690	14.92	35,570	21.04	0	26,905	1,803	14.92	38,409	21.30
Hawaii	0	0	0	0.00	0	0.00	0	0	0	0.00	0	0.00
Idaho	0	3,769	455	8.29	5,315	11.69	0	4,020	485	8.29	5,739	11.83
Illinois	0	33,544	3,756	8.93	47,303	12.59	0	35,780	4,006	8.93	51,078	12.75
Indiana	0	19,977	2,253	8.87	28,171	12.50	0	21,309	2,403	8.87	30,420	12.66
Iowa	0	86,567	10,842	7.98	122,075	11.26	0	92,338	11,565	7.98	131,819	11.40
Kansas	0	39,363	6,157	6.39	55,509	9.02	0	41,987	6,568	6.39	59,940	9.13
Kentucky	0	10,514	633	16.60	14,826	23.41	0	11,215	675	16.60	16,010	23.70
Louisiana	0	10,568	729	14.50	14,903	20.45	0	11,273	777	14.50	16,093	20.70
Maine	0	2,475	85	29.19	3,490	41.16	0	2,640	90	29.19	3,769	41.67
Maryland	0	714	70	10.15	1,007	14.31	0	762	75	10.15	1,088	14.49
Massachusetts	0	259	5	47.87	365	67.51	0	276	6	47.87	395	68.34
Michigan	0	2,451	249	9.85	3,457	13.88	0	2,615	266	9.85	3,732	14.06
Minnesota	0	43,914	6,103	7.20	61,927	10.15	0	46,842	6,510	7.20	66,870	10.27
Mississippi	0	13,895	1,158	12.00	19,595	16.92	0	14,822	1,235	12.00	21,159	17.13
Missouri	0	39,745	4,066	9.77	56,047	13.78	0	42,395	4,337	9.77	60,521	13.95
Montana	0	41,916	8,273	5.07	59,110	7.14	0	44,711	8,825	5.07	63,828	7.23
Nebraska	0	60,602	7,380	8.21	85,572	11.58	0	64,727	7,880	8.21	92,403	11.73
Nevada	0	34	4	9.45	48	13.32	0	36	4	9.45	52	13.49
New Hampshire	0	2	0	0.00	2	0.00	0	2	0	0.00	3	0.00
New Jersey	0	239	22	11.02	337	15.54	0	255	23	11.02	363	15.74
New Mexico	0	1,645	191	8.60	2,320	12.13	0	1,755	204	8.60	2,505	12.28
New York	0	830	47	17.70	1,171	24.96	0	885	50	17.70	1,264	25.26
North Carolina	0	30,269	1,156	26.18	42,685	36.91	0	32,287	1,233	26.18	46,092	37.37
North Dakota	0	61,273	12,704	4.82	86,406	6.80	0	65,358	13,551	4.82	93,303	6.89
Ohio	0	9,358	1,216	7.70	13,196	10.85	0	9,982	1,297	7.70	14,250	10.99
Oklahoma	0	12,663	1,773	7.14	17,857	10.07	0	13,507	1,892	7.14	19,283	10.19
Oregon	0	2,315	678	3.41	3,264	4.81	0	2,469	724	3.41	3,525	4.87
Pennsylvania	0	1,566	126	12.40	2,209	17.49	0	1,671	135	12.40	2,385	17.71
Rhode Island	0	17	0	0.00	24	0.00	0	18	0	0.06	26	0.00
South Carolina	0	11,971	575	20.80	16,881	29.33	0	12,769	614	20.80	18,229	29.70
South Dakota	0	15,564	2,448	6.36	21,948	8.97	0	16,602	2,611	6.36	23,708	9.08
Tennessee	0	2,374	152	15.67	3,348	22.10	0	2,533	162	15.67	3,616	22.37
Texas	0	50,732	5,131	9.89	71,542	13.94	0	54,115	5,473	9.89	77,252	14.12
Utah	0	452	52	8.63	637	12.18	0	482	56	8.63	688	12.33
Vermont	0	102	4	28.35	144	39.97	0	109	4	28.35	156	40.47
Virginia	0	9,401	520	18.09	13,256	25.51	0	10,027	554	18.09	14,315	25.83
Washington	0	7,502	1,577	4.76	10,579	6.71	0	8,002	1,682	4.76	11,423	6.79
West Virginia	0	85	7	11.81	120	16.66	0	91	8	11.81	130	16.86
Wisconsin	0	3,152	301	10.46	4,444	14.75	0	3,362	321	10.46	4,799	14.93
Wyoming	0	1,894	263	7.19	2,671	10.14	0	2,020	281	7.19	2,884	10.26
Subtotal (Excls P.R.)	0	750,000	87,857	8.54	1,057,633	12.04	0	800,000	93,714	8.54	1,142,054	12.19
% ANNL COST PER ACRE TO FARMER				23.376%	307633	73.901%				23.376%	342054	76.127%

FISCAL YEAR 1987 BUDGET REQUEST

Mr. **Whitten**. Also please provide for the record your fiscal year 1987 request to the Under Secretary, the Under Secretary's request to the Secretary, the Secretary's request to OMB, and the OMB allowance.

[The information follows:]

FISCAL YEAR 1987 REQUEST

[In thousands of dollars]

	Budget authority		Outlays		Net-risk premium
	Administrative and operating expenses	FCIC fund	Administrative and operating expenses	FCIC fund	
FCIC's revised request to Under Secretary	239,885	135,743	239,885	134,000	585,600
Under Secretary's request to Secretary	239,885	135,743	239,885	134,000	585,600
Secretary's request to OMB	239,885	135,743	239,885	134,000	585,600
OMB allowance:					
Existing legislation	239,885	135,743	239,885	134,000	585,600
Proposed legislation	125,026	115,047	125,026	115,047	585,600

Mr. **Whitten**. Please submit for the record the details of your plans to phase out the Federal subsidies.

Mr. **Sprague**. We have provided the details of our plans to phase out the Federal subsidies. However, we will provide for the record the details of the phaseout, on a percentage basis, by appropriation account and by year.

[The information follows:]

[In percent]

	Phaseout schedule	
	Administrative and operating expenses	Premium subsidy
Fiscal year:		
1986	100	25
1987	52	21
1988	30	12
1989	12	5
1990	2	5
1991	0	0

SUBMISSION OF PROPOSED LEGISLATION TO CONGRESS

Mr. **Whitten**. Has the legislation necessary to carry out your proposal been submitted to the Congress?

Mr. **Sprague**. Legislation implementing the President's budget priorities and out-year proposals for the Federal Crop Insurance Corporation (FCIC) is in the final stages of Departmental and Administration approval. The proposal is currently under review at the Office of Management and Budget (OMB) and we expect that the draft will be ready within a few weeks.

Mr. **Whitten**. Has anyone agreed to introduce it?

Mr. **Sprague**. Since we have not yet completed the drafting process, we have not discussed with any Members of the Congress their interest in supporting the President's initiative with regard to this proposal. We will do so as soon as a final draft is approved.

Mr. **Whitten**. Last year at your hearing the actual legislative language was not yet ready. Since you have now had a year, please submit for the record a copy of the proposed language.

Mr. **Sprague**. While we do not expect any substantive changes to be made during the review process at OMB, the FCIC is not in a position to release drafts prepared as discussion documents attempting to be responsive to Administration initiatives. We would be happy to deliver to the Committee the final approved draft document as soon as it is released by OMB and we are prepared to seek Congressional sponsors.

CONTINGENCY PLANS IF PARTICIPATION DECREASES

Mr. **Whitten**. In developing your plans to phase out subsidies, have you developed contingency plans should participation begin to decrease significantly?

Mr. **Sprague**. We do not believe this will occur, but should participation begin to decrease significantly, it would be necessary to reassess our position.

UNIVERSAL AVAILABILITY OF GROUP INSURANCE AT REASONABLE RATES

Mr. **Whitten**. Have you developed plans to ensure that crop insurance is universally available at reasonable rates? If so, please submit such plans for the record.

Mr. **Sprague**. Crop insurance is currently available in all agricultural counties in the continental United States and Puerto Rico, though not for all crops. We plan to continue with expansion of crop insurance programs at a rate that we can administratively support.

We will continue to strive to provide rates which are reasonable given the risks assumed by the Corporation.

FISCAL YEAR 1987 REQUEST IN RELATIONSHIP TO CROP YEARS

Mr. **Whitten**. What portion of your fiscal year 1987 request is for crop year 1985 or 1986 obligations?

Mr. **Sprague**. The fiscal year 1987 request of $124,034,000 for premium subsidy is estimated based on the crop year 1986 premium. The request for reimbursement of prior year interest obligations of $11,709,000 is for 1985 and 1986 obligations, $409,000 and $11,300,000, respectively.

EFFECT OF FOOD SECURITY ACT OF 1985 ON FCIC

Mr. **Whitten**. Have you analyzed how the various price support and conservation reserve provisions of the Food Security Act of 1985 will affect your operations? If so, please describe for the record.

Mr. **Sprague**. Based on ASCS estimates of producer's planting intentions it could reduce our potential insurable acres by as much as 7 to 8.5 million acres. At an average price of $10 premium per acre this could mean as much as $16 to $18 million less in premium income.

Conversely, the dairy herd reduction program estimated at 600-800,000 head, could cause an increase of 1.8 to 2.4 million acres. However, it is estimated 60-70% would be forage or pasture and not impact FCIC significantly unless they go to other grain crops.

CCC BORROWING

Mr. Whitten. The Food Security Act provides FCIC authority to borrow from the Commodity Credit Corporation such sums as necessary to pay indemnities. How much have you borrowed this year and how much of the borrowing was related to prior year indemnities?

Mr. Sprague. As of today, March 18, we have borrowed $35 million from the Commodity Credit Corporation. The entire amount was used to pay losses incurred this fiscal year.

FCIC SUPPLEMENTAL FUNDING—PAST 6 YEARS

Mr. Whitten. In the past 6 years, how often have you had to ask for supplemental funding to keep the Corporation financially sound? Please provide a chart showing the original budget request, the annual appropriation, any subsequent budget requests, and the supplementals appropriated.

[The information follows:]

FCIC FUND—BUDGET AUTHORITY

[In thousands of dollars]

Fiscal year	Original budget request	Annual appropriation	Supplemental budget requests	Supplemental appropriation
1981:				
Premium subsidy	0	0	0	0
Capital stock	0	0	0	[1] 250,000
1982:				
Premium subsidy	57,456	57,456	0	0
Capital stock	350,000	250,000	0	0
1983:				
Premium subsidy	145,575	115,575	0	0
Capital stock	250,000	150,000	0	0
Other	27,658	27,658	0	0
1984:				
Premium subsidy	170,000	85,117	0	0
Capital stock	0	0	50,000	50,000
Other	24,883	24,883	0	0
1985:				
Premium subsidy	141,000	110,000	0	0
Capital stock	0	0	[2] 163,000	50,000
1986:				
Premium subsidy	135,000	134,190	0	0
Capital stock	0	0	[3] 250,000	250,000

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[1] Reflects the transfer from CCC to pay heavy losses in F.Y. 1981.

[2] Includes $113 million borrowing authority from Treasury.

[3] This $250 million is the amount that will be borrowed from CCC in F.Y. 1986 to pay heavy losses.

ADDITIONAL BORROWING IN FISCAL YEAR 1986

Mr. WHITTEN. Do you anticipate additional borrowing in fiscal year 1986? How much?

Mr. SPRAGUE. The Corporation currently estimates that the $250 million to be borrowed from CCC will be sufficent for fiscal year 1986.

REPAYMENT SCHEDULE FOR FUNDS BORROWED FROM CCC

Mr. WHITTEN. Do you believe you should establish a repayment schedule for the funds borrowd from CCC?

Mr. SPRAGUE. We have established a tentative repayment schedule of funds borrowed from CCC. The actual repayment amounts will depend upon the amount of premium reserves available in the FCIC Fund account.

RATES AND TERMS OF BORROWING

Mr. WHITTEN. What are the rates and terms of your borrowings?

Mr. SPRAGUE. The rates will be based on the actual amounts CCC pays Treasury.

RECOVERY OF INTEREST EXPENSE ON BORROWING

Mr. WHITTEN. Should Congress agree with your proposal to phase out the subsidies for premiums and administrative expenses, and in subsequent years you are forced to borrow significant amounts to pay indemnities, what recourse do you have to recover the interest expenses on such borrowings other than increasing premium rates?

Mr. SPRAGUE. If the Corporation had to borrow significant amounts to pay indemnities, direct appropriations would be requested for any interest obligations incurred on such borrowing. This would be required until such time as the private insurance companies are entirely responsible for the crop insurance program, including the payment of all losses.

NOTIFICATION TO PRODUCERS OF PREMIUM INCREASES DUE TO PHASEOUT

Mr. WHITTEN. Should Congress agree with your proposal to phase out the subsidies, when will you notify the companies with whom you now conduct business and the producers of how much the FCIC will have to increase its rates over the next five years?

Mr. SPRAGUE. Upon passage by Congress, they will be notified immediately.

OTHER SERVICES

Mr. WHITTEN. Please provide for the record a sub-object class listing of your expenses for other services for fiscal years 1985, 1986, and 1987.

[The information follows:]

DETAIL OF OTHER SERVICES

[In thousands of dollars]

Subobject classification	Fiscal year		
	1985	1986	1987
Reinsurance administrative expense	77,783	[1]136,082	[1]184,581
Reinsurance loss adjustment	25,105	([1])	([1])
Agents' commissions (MMA's)	17,711	11,257	1,318
Loss adjustment contractors (MMA's)	10,317	6,114	2,084
ASCS agreement	16,911	6,614	4,257
Other	7,702	13,139	6,140
Total, other services	155,528	[2] 173,205	198,380

[1] In fiscal years 1986 and 1987, the "Reinsurance Loss Adjustment" amounts are included in "Reinsurance Administrative Expense."

[2] Does not include the effects of P.L. 99–177, Gramm/Rudman/Hollings, reductions.

CROP YEAR 1985 LOSS RATIO

Mr. WHITTEN. What was the loss ratio for crop year 1985 for government operations and reinsurance operations, and what accounts for any difference between the two?

Mr. SPRAGUE. Current estimates show that the loss ratio for government operations is 1.82 and reinsurance operations is 1.45 for a combined loss ratio of 1.55. The difference between the loss ratios is primarily due to the FCIC book of business containing a higher share of the risk on wheat in a year when the wheat program suffered major losses.

PREMIUM RATE INCREASES IN 1985 TO ACHIEVE A 0.90 LOSS RATIO

Mr. WHITTEN. By how much would you have had to increase premium rates on those crops in which you experienced losses to have achieved a loss ratio of 0.9 for fiscal year 1985?

Mr. SPRAGUE. We will provide for the record a table which will show how much premiums would have had to be increased in 1985 in order to have achieved a loss ratio of 0.90.

[The information follows:]

FEDERAL CROP INSURANCE CORPORATION -- CROP YEAR 1985

Crop	Government Premium ($000)	Government Indem. ($000)	Reinsurance Premium ($000)	Reinsurance Indem. ($000)	Combined Operations Premium ($000)	Combined Operations Indem. ($000)	Combined Operations Loss Ratio	Rev. Prem. .90 LR ($000)	Loss Ratio Based on Rev Prem	Prem Incr for .90 LR ($000)	% Change For a .90 LR
Almond	357	167	3,140	3,583	3,497	3,750	1.07	4,167	0.90	670	0.19
Apples	813	2,537	968	2,430	1,781	4,967	2.79	5,519	0.90	3,738	2.10
Barley	5,038	19,933	11,206	74,830	16,244	94,763	5.83	105,292	0.90	89,048	5.48
Bean	824	1,963	3,090	6,792	3,914	8,755	2.24	9,730	0.90	5,816	1.49
Citrus	1,565	5,382	1,022	4,907	2,587	10,289	3.98	11,432	0.90	8,845	3.42
Citrus Tree	6	0	287	192	293	192	0.66	213	0.90	-80	-0.27
Combined Crop	346	212	0	0	346	212	0.61	236	0.90	-110	-0.32
Corn	25,191	17,208	88,902	45,599	114,093	62,807	0.55	69,786	0.90	-44,307	-0.39
Cotton	3,025	1,855	17,103	8,592	20,128	10,447	0.52	11,608	0.90	-8,520	-0.42
Cotton, ELS	37	0	45	0	82	0	0.00	0	0.00	-82	-1.00
Cranberry	0	0	185	39	185	39	0.21	43	0.90	-142	-0.77
Flax	130	199	312	364	442	563	1.22	626	0.90	164	0.35
Forage Production	2	1	4	13	6	14	2.33	16	0.90	10	1.59
Forage Seeding	2	1	4	1	6	2	0.33	2	0.90	-4	-0.63
Grain Sorghum	3,591	6,642	11,320	17,973	14,911	24,615	1.65	27,350	0.90	12,439	0.83
Grape	286	383	1,779	1,209	2,065	1,592	0.77	1,769	0.90	-296	-0.14
Grape, Table	52	111	1,441	2,206	1,493	2,317	1.55	2,574	0.90	1,081	0.72
Hybrid Seed	1,077	874	9,164	5,685	10,241	6,559	0.64	7,288	0.90	-2,953	-0.29
Oat	537	963	823	1,182	1,360	2,145	1.58	2,383	0.90	1,023	0.75
Pea	304	194	610	730	914	924	1.01	1,027	0.90	113	0.12
Peach	713	1,923	1,082	3,130	1,795	5,053	2.82	5,614	0.90	3,819	2.13
Peanut	5,447	7,272	10,087	8,514	15,534	15,786	1.02	17,540	0.90	2,006	0.13
Pepper	163	455	265	1,040	428	1,495	3.49	1,661	0.90	1,233	2.88
Popcorn	55	117	336	696	391	813	2.08	903	0.90	512	1.31
Potato	1,537	2,589	1,996	6,732	3,533	9,321	2.64	10,357	0.90	6,824	1.93
Prevented Planting	1	3	0	0	1	3	3.00	3	0.90	2	2.33
Raisin	260	172	9,179	740	9,439	912	0.10	1,013	0.90	-8,426	-0.89
Rice	299	960	835	2,537	1,134	3,497	3.08	3,886	0.90	2,752	2.43
Rye	9	14	9	4	18	18	1.00	20	0.90	2	0.11
Soybean	25,167	37,016	66,731	112,203	91,898	149,219	1.62	165,799	0.90	73,901	0.80
Sugar Beet	612	681	1,325	1,094	1,937	1,775	0.92	1,972	0.90	35	0.02
Sugarcane	99	83	743	0	842	83	0.10	92	0.90	-750	-0.89
Sunflower	1,429	6,310	3,560	12,340	4,989	18,650	3.74	20,944	0.90	15,955	3.20
Sweet Corn	62	87	248	195	310	282	0.91	313	0.90	3	0.01
Sweet Corn, Fresh	7	1	104	319	111	320	2.88	356	0.90	245	2.20
Tobacco	8,240	5,523	9,995	6,424	18,235	11,947	0.66	13,274	0.90	-4,961	-0.27
Tomato, Fresh	1,536	7,624	395	4,096	1,931	11,720	6.07	13,022	0.90	11,091	5.74
Tomato	131	230	3,175	2,096	3,306	2,326	0.70	2,584	0.90	-722	-0.22
Walnut	11	6	87	1	98	7	0.07	8	0.90	-90	-0.92
Wheat	29,216	85,607	61,140	150,450	90,356	236,057	2.61	262,286	0.90	171,930	1.90
Puerto Rico(Reins)	0	0	2101	2096	2,101	2,096	1.00	2,329	0.90	228	0.11
TOTAL	117,997	215,300	324,998	491,234	442,995	706,534	1.59	785,038	0.90	342,043	0.77

CROP YEAR 1986 PREMIUM RATE INCREASES

Mr. WHITTEN. Did you increase the premium rates on any crops for crop year 1986? If so, please provide a schedule displaying the crops, the States affected, and the change in rates.

Mr. SPRAGUE. We will provide a schedule which will show, by State, and by crop, the rate increases.

[The information follows:]

CHANGE IN RATE - 1985/1986
RATE REWORKS

STATE	BARLEY	CORN	COTTON	OATS	SOYBEANS	WHEAT
ALABAMA		1.350	1.350		1.350	1.145
ALASKA	1.002					
ARIZONA	1.154	1.150	1.350			1.165
ARKANSAS		1.350	1.350	1.152	1.350	1.009
CALIFORNIA	1.150	1.150	1.100			1.149
COLORADO	1.001	0.943				1.015
CONNECTICUT		1.150				1.024
DELAWARE	1.153	0.950			1.237	0.814
FLORIDA		1.350	1.350		1.350	1.115
GEORGIA	0.997	1.350	1.350		1.350	0.998
IDAHO	1.154	1.150		1.154		1.115
ILLINOIS	1.106	0.952		0.992	0.941	0.998
INDIANA	1.149	1.071		0.995	0.960	0.996
IOWA	1.000	0.938		0.994	0.952	1.022
KANSAS	1.151	0.947		1.153	1.000	1.012
KENTUCKY	0.999	1.187			1.295	1.154
LOUISIANA		1.203	1.350		1.350	1.001
MAINE	0.981	1.150		0.920		1.063
MARYLAND	1.298	1.150			1.350	1.253
MASSACHUSETTS		1.150				
MICHIGAN	1.054	1.214		1.003	1.333	0.985
MINNESOTA	1.002	1.000		1.104	0.948	1.046
MISSISSIPPI		1.350	1.350		1.307	1.109
MISSOURI	1.153	1.350	1.267		1.106	0.998
MONTANA	1.120	1.350		1.150		1.004
NEBRASKA	1.151	1.150		0.999	0.944	1.000
NEVADA	1.144	1.151	1.350			
NEW HAMPSHIRE		1.150				
NEW JERSEY		1.150			1.106	1.064
NEW MEXICO	1.152	1.350	1.350			1.003
NEW YORK		1.150		1.034		1.066
NORTH CAROLINA	1.007	1.060	1.096		1.336	1.152
NORTH DAKOTA	1.057	1.072		1.151	0.949	0.998
OHIO	1.157	1.350		0.997	1.176	1.006
OKLAHOMA	1.145	0.948	1.350		0.946	1.002
OREGON	1.154	1.150				1.097
PENNSYLVANIA	1.003	1.150		0.995	1.031	1.037
RHODE ISLAND		1.150				
SOUTH CAROLINA	1.003	1.350	1.350		1.350	1.143
SOUTH DAKOTA	1.002	1.000		0.998	0.946	1.002
TENNESSEE	1.000	1.350	1.305		1.220	1.159
TEXAS	1.154	1.164	1.350	1.000	1.350	0.999
UTAH	1.083	1.150		1.005		1.000
VERMONT	1.026	1.150				0.915
VIRGINIA	0.993	0.987	1.194		0.943	1.161
WASHINGTON	1.157	1.150		1.155		1.079
W. VIRGINIA	1.024	1.036				1.167
WISCONSIN	1.148	1.000		1.147	1.000	1.127
WYOMING	1.152	0.951		1.000		0.997

ADMINISTRATIVE RATE INCREASES AND RATE ADJUSTMENTS FOR POLICY CHANGES

		Percentage Increase in Level 3 Coverage	Percentage Increase in Level 2 Coverage	Percentage Increase in Level 1 Coverage
Cotton (ELS)	All Insurance States	20	20	20
Dry Beans	Colorado	35	28	21
	Nebraska	17	15	12
	North Dakota	35	28	21
Grain Sorghum	Arkansas	35	31	26
	Colorado	35	31	26
	Illinois	35	31	26
	Kansas	16	15	14
	Missouri	35	31	26
	Oklahoma	35	31	26
	Texas	35	31	26
Peaches	South Carolina	75	75	75
	All Other Insurance States	25	22	18
Peanuts	North Carolina	35	31	26
	Oklahoma	35	31	26
	Texas	35	31	26
	Virginia	35	31	26
Sunflowers	North Dakota	8	8	7
	Minnesota	35	31	26
Table Grapes	California	35	31	26
Tobacco	North Carolina	5	5	5
	Kentucky	35	31	26
	Tennessee	35	31	26
Tomatoes (C&P)	California	30	27	23

METHODS USED TO DETERMINE RATE INCREASES

Mr. WHITTEN. Please also provide the methods used to determine the rate increase, including the factors used in reaching your conclusions.

Mr. SPRAGUE. Premium rates for wheat, barley, oats, corn, cotton, and soybeans were adjusted—some decreases occurred—by a mathematical model which incorporated recommendations made by Milliman and Robertson consulting actuaries. These recommendations were included in their report of FCIC actuarial procedures.

The model follows specified procedures to adjust loss cost ratios—indemnity divided by liability—for 1964–1983 to reflect current coverage levels and program provisions. The loss costs are capped at the 80th percentile, with the excess losses being used to estimate the appropriate loading for the catastrophic reserve. The adjusted and capped loss costs for the most recent 5 years were averaged with all 20 years. A credibility weighting scheme was used to average state and national data. Rates so generated were subjected to review, and further adjustments made as appropriate to reflect unique conditions which deviated from the assumptions underlying the basic model.

Peaches were subjected to a review which involved recalculating losses for contracts in force under the 1983 policy given the terms and conditions of the 1986 policy. The loss experience for peaches is among the least favorable, and would have remained unfavorable given the new policy. Thus, rates were increased significantly.

Rates for several other crops were increased based on their poor experience during 1981–84. Crops and States were adjusted based upon a loss ratio—indemnities divided by premiums—greater than 1.0. Rate increases up to 35 percent were imposed under this method. We believe that the rate increases approximated the change that would have occurred if a more formal model had been used.

ESTIMATE OF PREMIUM INCOME FROM RATE INCREASE

Mr. WHITTEN. Also provide an estimate of the premium income anticipated from the increase.

Mr. SPRAGUE. It is difficult to provide an estimate of the potential change in premium income because: price elections are reduced for a number of crops; cash flow in the agricultural sector is extremely tight, which could encourage selection of lower coverage levels; changes in the price relationship of 65 percent coverage to 75 percent will encourage movement toward the 65 percent level; the book of business among crops and States will change; and no studies to estimate the price elasticity of demand for crop insurance have been made by the Corporation.

Thus, we estimate that the rates quoted for 1986 will average nine percent higher than in 1985 for the 75 percent coverage level. The change in the realized—earned—rate probably will be less.

REINSURANCE COMPANY AND MASTER MARKETING AGREEMENTS

Mr. WHITTEN. Please provide for the record a list of the currently active reinsurance company agreements and master marketing agreements.

[The information follows:]

A. Currently Active Reinsured Companies—March 25, 1986

1. Agricultural Mutual
2. Alliance Mutual (Graham Neville)
3. American Agrisurance (Redland)
4. American Agrisurance (Universal)
5. American Agrisurance (Empire Indem)
6. American Agrisurance (Guar Natl)
7. American Hail Management
8. Berry & Company
9. Blakely Inc.
10. Columbia Ins. Co.
11. Continental Ins.
12. Cotton States Mutual
13. Country Mutual Ins. Co.
14. Crop-Hail Mgt. (Mountain States Ins.)
15. Dawson Hail
16. Dornberger (Bituminous)
17. E. L. Ross (Alliance Mutual)
18. Farm Bureau Mutual of Kansas
19. Farm Bureau Mutual of Iowa
20. Farm Bureau Ins. Co. of Nebraska
21. Florida FBM
22. Florist Mutual
23. Glacier General
24. Great American Ins.
25. Grinnel Reinsurance Co.
26. Hartford
27. IFG Insurance Company
28. Implement Dealers Mutual In. Co.
29. Larry Rocker
30. Midwestern Casualty
31. Millers National Ins. Co.
32. National AG Under (Millers Nat.)
33. National AG (Empire Fire)
34. North American Lloyds of Texas
35. National Farmers Union
36. Nebraska All Risk Crop (Omaha Indemnity)
37. North Dakota Mutual
38. North Carolina FBM Ins. Co.
39. North Central Crop Ins.
40. Old Republic Ins.
41. Producers Lloyds Ins. Co.
42. Rain and Hail (Aetna)
43. Ranchers & Farmers
44. Rocky Mountain
45. South Carolina Farm Bureau
46. Stroud Crop Insurance
47. Town & Country
48. Thurston Fire & Casualty
49. Transunion Casualty
50. Union Insurance
51. United Farm Bureau
52. Virginia FBM

B. Currently Active Master Marketing Agencies—March 25, 1986

1. Agri General Insurance Service Inc.[1]
2. Agro Insurance Agency of California, Inc.[1]
3. Buchanan and Associates [1]
4. Communicating for Agriculture, Inc.[2]
5. CHE, Inc.[2]
6. Crop Hail Management [1]
7. Crop Insurance Associates [1]
8. Crop Insurance Marketing, Inc.[1]
9. Crop Insurance Marketing of Indiana, Inc.[1]
10. Crop Insurance Services, Inc.[1]
11. Crump Companies/BIA [1]
12. E. L. Ross Agency, Inc.[1]
13. Elliott Insurance, Inc.[1]
14. Farm Bureau Town & Country Insurance of Missouri [2]
15. Farm Risk Management Specialist, Inc.[1]
16. Farmers All-Risk Crops Ins. Agency [2]
17. Federal Crop Company [1]
18. Gordon P. O'Dell Agency [2]
19. Greater Insurance Services Corp.[1]
20. Heartlands Crop Insurance Agency [1]
21. Hyseco Insurance Group, Inc.[1]
22. Keystate Marketing Associates, Inc.[1]
23. LongView Crop Insurance Agency, Inc.[1]
24. Louisiana Farm Bureau Mut. Ins. Co.[1]
25. Lowell Shortes Crop Insurance [1]
26. Maine Mutual Fire Ins. Co.[2]
27. Mark General Agency, Inc.[1]
28. Martinek Crop Insurance [1]

29. Michigan Crop Insurance Co.[2]
30. Mississippi Farm Bureau Mutual Insurance Co.[1]
31. Missouri Crop Management, Inc.[1]
32. National Assn. of Crop Ins. Agents [2]
33. National Farmers Crop Security Insurance [1]
34. National Farmers Ins. Agency [1]
35. Nebraska All-Risk Crop Co.[1]
36. Northern Crop Insurance, Co.[2]
37. Northwest G. F. Mutual Insurance Co.[2]
38. Omaha All Risk Iowa Branch Inc.[1]
39. Ralph R. Overholt Company [1]
40. Rural Insurance Services, Inc.[2]
41. SHUR Crop Insurance, Inc.[1]
42. Southern Crop Insurance Agency, Inc.[1]
43. Southern States Crop Ins. Agency, Inc.[1]
44. Southwest Crop Insurance Agency, Inc.[1]
45. Southwestern Crop Ins. Assoc.[1]
46. Stroud Crop Incorporated [1]
47. Tri-States Master Marketing Association, Inc.[1]
48. United Agents Crop Insurance Agency Inc.[1]
49. Van Beurden, Wigh and Assoc. Insurance Services, Inc.[1]
50. Wilson Mac Walker Agency [1]

[1] 1985 approved.
[2] 1986 approved.

DISTRIBUTION OF PROFIT AND LOSS

Mr. Whitten. Please provide for the record a chart displaying how profits and losses were distributed between FCIC, master marketers, and reinsured companies for fiscal years 1983, 1984, and 1985.

Mr. Sprague. Master marketers do not share in profits and losses with the Corporation. The extent to which the reinsured companies share in the underwriting gain or loss is determined by the reinsurance agreement in effect for the crop year and the underlying loss ratio. We will provide for the record a table which will show how gains and/or losses were distributed between the reinsured companies and FCIC for fiscal years 1983, 1984, and 1985.

[The information follows:]

DISTRIBUTION OF REINSURANCE GAINS/LOSSES

	FCIC	Companies
1983 Fiscal Year, 1982 Crop Year (Gains)	$5,117,551	$3,279,300
1984 Fiscal Year, 1983 Crop Year (Loss)	73,828,897	2,661,497
1985 Fiscal Year, 1984 Crop Year (Loss)	115,984,631	1,625,113

Note: Source of gains/losses is the financial report dated September 30, 1985.

ASCS/FCIC MEMORANDA OF UNDERSTANDING

Mr. Whitten. Please submit for the record copies of any Memoranda of Understanding currently in effect between ASCS and FCIC.

[The information follows:]

REIMBURSEMENT OR ADVANCE OF FUNDS AGREEMENT

1 AGREEMENT NUMBER	2 FISCAL YEAR	3 ESTIMATED AMOUNT		4 ADV. BILL IND.	5 TRANS. CODE	6 ACTION CODE
AEBAD672C008	1986	$6,614,000	00	1	2	1

7 AGENCY REQUESTING SERVICE			8 AGENCY PERFORMING SERVICE		
NAME: Federal Crop Insurance Corporation			NAME: Agricultural Stabilization and Conservation		
1ST LINE ADDRESS:			1ST LINE ADDRESS: Service		
ADDRESS:			2ND LINE ADDRESS:		
CITY: Washington	STATE: DC	ZIP CODE: 20250	CITY: Washington	STATE: DC	ZIP CODE: 20250

9 SERVICES TO BE PERFORMED

This agreement provides for FCIC to reimburse ASCS for: services performed carrying out the FCIC Act of 1980 (P.L. 96-365); costs for FCIC District Directors occupying ASCS county office space; and costs of photocopies, aerial photograph photocopies, and other expenses related to Reinsured Companies. Attached to and supporting the total estimate shown on this AD-672 is an itemized schedule showing cost estimates of services to be performed. If adjustment to the estimate is necessary and is agreed to by both agencies, it will be reflected in the fourth quarter billing.

10 LIST REFERENCES TO CORRESPONDENCE RELATIVE TO THIS WORK

Memorandum of Understanding between FCIC and ASCS
dated 7-27-81

11 DURATION OF AGREEMENT		12 METHOD OF PAYMENT	
EFFECTIVE DATE (From)	CONTINUING THROUGH	REIMBURSEMENT	ADVANCE OF FUNDS
October 1, 1985	September 30, 1986	2 BILLING FREQUENCY	☐ TYPE OF ACCOUNT

13 FINANCING (REQUESTING AGENCY — WHEN NOT SERVICED BY NFC)

APPROPRIATION SYMBOL AND TITLE

PROJECT, ALLOTMENT, OR WORKPLAN NO.

14 FINANCING (REQUESTING AGENCY - WHEN SERVICED BY NFC)

AGENCY CODE	FUND CODE	ACCT. STATION	A	B	C	D	E	OBJECT CLASS	AMOUNT	
08	TI		60193007012						$6,614,000	00

15 FINANCING (PERFORMING AGENCY)

AGENCY CODE	FUND CODE	ACCT. STATION	A	B	C	D	E	OBJECT CLASS	AMOUNT	
05	44	86	98044	21	00				6,614,000	00

16 LEAVE FACTOR		17 FICA FACTOR		18 OVERHEAD FACTOR	

19 REQUESTING AGENCY APPROVAL				20 PERFORMING AGENCY APPROVAL			
SIGNATURE		DATE: 3/6/86		SIGNATURE		DATE: FEB 3 1985	
TITLE: Assistant Manager for Administration				TITLE: Acting Deputy Administrator, Management, ASCS			
PERSON TO CONTACT: Vernell Bryant	PHONE (Area Code and No.): (202) 382-9788	FTS	COMM	PERSON TO CONTACT: Mike Toussaint	PHONE (Area Code and No.): (202) 447-2501	FTS: X	COMM

FORM AD-672 USDA

PART 1 NFC

FCIC
FY 1986 Agreement

Work Items	FY 1986 Estimates NWD a/
County Office:	
FCIC Info. & Admin.	32,076
Office & Clerical Serv. for DD	13,888
Acreage Determinations provided FCIC	439
Acreage Determinations and Data Collected	4,336
Field Visits for IYCP & APH	2,482
Establishing IYCP, CRCP & APH	17,881
Sales & Service and Pilot Counties	114
TOTAL NWD	71,216
	@$80.29 b/
Dollars	
County Office Costs:	
Workload (NWD)	$5,717,933
Training Travel	195,797
FCIC Telephone	216,468
Postage	4,635
DD Office Space	181,433
DD Office Supplies	19,564
Photocopies Furnished FCIC	34,630
Aerial Photocopies Furnished FCIC	70,721
Photocopies Furnished FCIC Reinsured Co.	2,535
Aerial Photocopies Furnished FCIC Reinsured Co.	6,496
Sub-Total	$6,450,212
State Office Costs:	
Salary	$115,412
Travel	43,205
Sub-Total	$158,617
National Costs:	
Travel	$4,735
TOTAL FCIC COSTS	$6,613,564

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a/ Normal workdays include prorated leave.

b/ Used FY 1985 actual NWD average costs taken from County Office Expenditure Report through pay period 19.

Subject: FCIC/ASCS Memorandum of Understanding

To: FCIC: Assistant Managers; Executive Assistant to the Manager; Directors, Actuarial Division, NSO, Issuance Coordinator Staff, Regional Offices, Field Underwriting Offices; D. C. Staff and Branch Chiefs; Kansas City Staff and Branch Chiefs

ASCS: Deputy Administrators; Area Directors; Chairperson, State Committees; Chairperson, County Committees

It is the policy of the Administration and the commitment of Secretary Block to replace disaster assistance programs with All-Risk Crop Insurance. For a successful Federal Crop Insurance Program, it is essential that a high level of producer participation be attained.

Achieving this will require the most efficient use of all available resources within USDA. Therefore, FCIC, which has responsibility for the program, has asked ASCS to provide certain services for which ASCS has proven capability. ASCS has agreed and is fully committed to provide the requested services. The attached Memorandum of Understanding, signed by both agencies and approved by Under Secretary Lodwick, describes those services in detail.

A cooperative and harmonious working relationship will be needed at all levels for the crop insurance program to meet its participation goals.

We intend that this Memorandum of Understanding represent the first step toward an ongoing and enduring relationship between the two agencies.

Melvin E. Sims
Chairman (Designate), FCIC

JUL 22 1981
DATE

Everett Rank
Administrator, ASCS

JUL 28 1981
DATE

Enclosures

SUBJECT: Memorandum of Understanding Between the Federal Crop Insurance Corporation and Agricultural Stabilization and Conservation Service

TO: The Secretary
THROUGH: Under Secretary for International Affairs and Commodity Programs

JUL 27 1981

The successful implementation of the Federal Crop Insurance Act of 1980 requires the effective use of all resources available within USDA. Toward this end, FCIC, which has responsibility for administration of the Act, has collaborated with ASCS to develop a Memorandum of Understanding. Under this memorandum ASCS shall assist FCIC in carrying out the provisions of the Act. The Memorandum of Understanding provides:

ASCS shall --

1. Serve as producer contact points and have at least one employee in each county office trained to provide information on the FCIC program.
2. Collect and validate yield data for FCIC's Individual Yield Coverage Plan (IYCP).
3. Provide acreage determinations for all FCIC program needs and for reinsured companies at their request.
4. Sell and service crop insurance policies for FCIC's pilot prevented planting insurance program, and for FCIC's regular insurance program where requested by FCIC. (The latter will generally be in areas where private insurance either does not have agents available or does not want to cover certain "specialty" crops.)
5. Furnish FCIC any program data on hand and obtain any additional data available. Where mutually agreed upon, county ASC committees shall assist in establishing farm yields.
6. Provide clerical and office services for each FCIC District Director.

FCIC shall --

1. Furnish ASCS with FCIC policies, regulations, and procedures; informational literature and supplies; and training necessary for ASCS to perform the services described.
2. Reimburse ASCS for costs incurred in providing these services.

Both agencies pledge to cooperate fully so as to make the most effective use of the resources of each in carrying out the provisions of the Memorandum of Understanding.

Everett Rank
Administrator, ASCS

7/17/81
Date

Chairman (Designate), FCIC

7/17/81
Date

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE FEDERAL CROP INSURANCE CORPORATION
AND AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The Federal Crop Insurance Act of 1980 (P.L. 96-365) amends the Federal Crop Insurance Act of 1938. The 1980 Act, as amended (7 U.S.C. 1501 et seq.), allows the Secretary of Agriculture to request other agencies or departments to assist the Federal Crop Insurance Corporation (FCIC) in carrying out the Act and to provide compensation for that assistance. The 1980 Act specifically provides that the FCIC's Board of Directors use to the maximum extent possible the Agricultural Stabilization and Conservation Service (ASCS) in assisting the Board in the determination of individual producer yields and in serving as a local contact point for farmers.

I. The purposes of this Memorandum of Understanding are to:

   A. Provide an understanding between FCIC and ASCS as to the types of services ASCS will provide to FCIC in the operation of the Federal Crop Insurance Program.

   B. Foster a close working relationship between FCIC and ASCS.

   C. Make the most effective use of the resources of each agency in carrying out the Federal Crop Insurance Program.

II. In accordance with FCIC policies, regulations, and procedures all ASCS county offices shall:

   A. Serve as producer contact points for FCIC information.

      1. Maintain FCIC materials necessary to provide information on crop insurance.

      2. Display and distribute FCIC promotional and informational literature. FCIC shall furnish all literature and appropriate display holders.

3. Disseminate FCIC program and promotional information through the use of county newsletters.

4. Refer interested producers to posted or displayed FCIC lists of approved crop insurance agents. FCIC shall provide and update lists.

B. Accumulate yield data for FCIC's Individual Yield Coverage Plan (IYCP).

1. Collect and validate producer acreage and actual production data for FCIC designated crops upon producer's request.

2. When farm visits are necessary for crop appraisals, production measurements, or acreage determinations, the work will be referred to FCIC to be completed. The determinations will then be provided to ASCS. When availability of FCIC loss adjusters is inadequate, FCIC will request assistance from ASCS. ✓

III. ASCS shall provide acreage determinations when determinations can be made in the county office to:

A. FCIC for all FCIC program needs.

B. Reinsured companies at their expense upon request.

IV. ASCS shall:

A. Utilize the aerial compliance system where cost effective to the greatest extent possible.

B. Provide, in addition to scheduled ASCS aerial flights, additional flights for any area or county upon request by FCIC.

V. ASCS county offices designated by FCIC shall provide the following services for FCIC's pilot prevented planting insurance program:

   A. Maintain FCIC regulations, policies, procedures, and actuarial tables related to the program.

   B. Publicize, promote, and sell prevented planting insurance policies.

   C. Maintain insureds' contract files.

   D. Review and forward applications and contract change forms to FCIC's National Service Office (NSO).

   E. Obtain, review, and forward acreage reports to FCIC's NSO.

   F. Collect and forward premiums to FCIC's NSO.

   G. Accept notices of prevented planting and refer those notices to designated FCIC supervisors or loss adjusters.

   H. Prepare and distribute collateral assignments, transfers of interest, and other necessary FCIC paperwork.

VI. ASCS county offices shall provide the following services in areas where FCIC requests:

   A. Maintain FCIC regulations, policies, procedures, and actuarial tables related to the program.

   B. Publicize, promote, and sell insurance.

   C. Maintain insureds' contract files.

   D. Review and forward applications and contract change forms to the FCIC's NSO.

   E. Obtain, review, and forward acreage reports to FCIC's NSO.

F. Collect and forward premiums to FCIC's NSO.

G. Accept notices of damage or loss and refer those notices to designated FCIC supervisors or loss adjusters.

H. Prepare and distribute collateral assignments, transfers of interest, and other necessary FCIC paperwork.

VII. Upon request, ASCS, subject to time constraints imposed by current workload, shall furnish FCIC any program data which it has on hand and shall obtain any additional data that is available. ASC county committees may assist in establishing farm yields where both agencies agree that such assistance would be helpful to FCIC. Any data furnished shall be compiled and transmitted by the most economical means available.

VIII. ASCS shall have at least one designated employee in each county office trained in FCIC procedures and operations, and available to provide FCIC information to all producers. FCIC shall provide training to ASCS employees at the State level. ASCS shall provide training at the county level. FCIC shall assist in providing all training in counties designated to provide the services outlined in items V and VI.

IX. ASCS shall provide clerical and office services for each FCIC District Director. To the extent possible, the assistance shall be provided in the county office chosen by the FCIC District Director subject to the availability of assistance in that county.

X. ASC County Committees and ASCS County Executive Directors shall have supervisory responsibility for functions performed by County ASCS offices in accordance with FCIC policies and regulations and subject to FCIC review. Operating policies and procedures necessary to implement this Memorandum of Understanding shall be approved by both agencies prior to issuance.

XI. Annually, FCIC and ASCS shall enter into a Reimbursable Agreement (AD-672) based on this Memorandum of Understanding and any amendments hereto. An itemized schedule showing individual item cost estimates shall accompany and support the total estimate shown on AD-672. FCIC shall reimburse ASCS quarterly based on the estimate furnished on the AD-672. If an adjustment to the estimate is necessary, based on workload update, and is agreed to by both agencies, it will be reflected in the fourth quarter billing. Quarterly bills (SF-1081) shall be sent by ASCS's Management Field Office to FCIC's National Service Office for payment.

XII. This Memorandum of Understanding is effective immediately and shall remain in effect until canceled.

Recommended:

President, Federal Crop Insurance Corporation

July 24, 1981
(Date)

Everett Rank
Administrator, Agricultural Stabilization Conservation Service

July 24, 1981
(Date)

Approved:

Under Secretary of Agriculture, International Affairs and Commodity Programs

JUL 27 1981
(Date)

U.S. DEPARTMENT OF AGRICULTURE **REIMBURSEMENT OR ADVANCE OF FUNDS AGREEMENT BETWEEN FEDERAL AGENCIES**	AGREEMENT NUMBER 5 93 002 000 FISCAL YEAR: 1986 ESTIMATED AMOUNT: $346,000
NAME AND ADDRESS OF AGENCY REQUESTING SERVICE Federal Crop Insurance Corporation U.S. Department of Agriculture Washington, D.C. 20250	NAME AND ADDRESS OF AGENCY PERFORMING SERVICE Agricultural Stabilization and Conservation Service U.S. Department of Agriculture Washington, D.C. 20250

SERVICES TO BE PERFORMED *(Give brief explanation, and the basis for determining the cost of the services)* ATTACH ADDITIONAL SHEET, IF NEEDED

This reimbursement is for the purpose of paying for services incurred by the Agricultural Stabilization and Conservation Service in carrying out the mutually agreed upon automation activities in FY 1985 in accordance with the memorandum of understanding between Federal Crop Insurance Corporation and the Agricultural Stabilization and Conservation Service dated March 7, 1984, which are incorporated as a part of this agreement.

LIST REFERENCES TO CORRESPONDENCE RELATIVE TO THIS WORK

DURATION: THIS AGREEMENT, INCLUDING THE GENERAL CONDITIONS STATED ON THE REVERSE OF THIS FORM, SHALL BECOME

EFFECTIVE *(Date)* October 1, 1985	SHALL CONTINUE THROUGH *(Date)* September 30, 1986

METHOD OF PAYMENT: *(If reimbursement indicate billing desired: if advance of funds indicate type of account.)*

☒ REIMBURSEMENT: ☐ MONTHLY ☒ QUARTERLY ☐ SEMI-ANNUALLY ☐ UPON COMPLETION OF WORK
☐ ADVANCE OF FUNDS: ☐ TRANSFER APPROPRIATION ACCOUNT ☐ CONSOLIDATED WORKING FUND

FINANCING: *(Requesting agency)*	FINANCING: *(Performing agency)*
APPROPRIATION SYMBOL AND TITLE 1252707 Administrative and Operating Expense	APPROPRIATION SYMBOL AND TITLE 1253300, Salaries and Expenses, ASCS
PROJ., ALLOTMENT, OR WORKPLAN NO. *(As applicable)* 50111009064	PROJ., ALLOTMENT, OR WORKPLAN NO. *(As applicable)*
APPROVAL FOR REQUESTING AGENCY	**APPROVAL FOR PERFORMING AGENCY**
SIGNATURE	SIGNATURE
TITLE Deputy Manager	TITLE
DATE March 12, 1986	DATE

Form AD-672 (8-76)

United States
Department of
Agriculture

Agricultural
Stabilization and
Conservation Service

IRMD Policy and Planning Staff
P.O. Box 205
Kansas City, MO 64141

To: C. (Pat) Henninger
Director, SP/E

Date: January 27, 1986

From: Spencer Child, OAP Team Leader

In Reply Refer to:

Subject: Estimated ASCS reimburseable cost for F/Y 1986

Attached for your use is a schedule of estimated ASCS reimburseable costs for Fiscal Year 1986 based on present staffing and the OAO task order in effect at this time. Since we do not know the extent of ASCS involvement in the project we provided estimates for the full year. These estimates can be adjusted by you as necessary.

The amount shown for the first quarter represents actual costs. The OAO task order has recently been amended therefore an additional charge of $609 affecting the 1st quarter will be included in the ASCS billing to FCIC for the 2nd quarter.

The 2nd, 3rd and 4th quarters projects the cost of the present task order and eliminates the cost of an ASCS programmer who was assigned to another project the middle of January.

If we can be of further assistance please advise.

Enclosure

Spencer B. Child

ASCS-204 (4-3-82)

OPERATIONS AUTOMATION PROJECT

ASCS-FCIC

Reimburseable Agreement F/Y 1986 (Based on Present Staffing)

ASCS PERSONNEL	**Oct.1 to Dec. 31, 1985**	**Jan. 1 to March 31, 1986**	**April 1 to June 30, 1986**	**July 1 to Sept. 30, 1986**
Team Leader	$ 12,639.00	$ 12,639.00	$ 12,639.00	$ 12,639.00
Programmer/Analyst	5,252.00	1,048.00	-----	-----
Secretary	3,209.00	3,209.00	3,209.00	3,209.00
CONTRACTOR PERSONNEL				
Task Order	57,605.00	60,599.00	71,175.00	71,175.00
Adjustment to 1st Quarter Milestone 3		609.00		
OTHER				
Travel	1,775.00	1,000.00	1,000.00	1,000.00
Space-Leawood	2,500.00	2,500.00	2,500.00	2,500.00
Supplies	72.00	72.00	72.00	72.00
Training	-0-	-0-	-0-	-0-
TOTAL ESTIMATED COSTS	$ 83,052.00	$ 81,676.00	$ 90,595.00	$ 90,595.00

REVIEWS OF REINSURED COMPANIES

Mr. WHITTEN. Please provide in some detail the findings of the reviews and audits you have performed to date of reinsured companies.

[The information follows:]

FCIC contracted with the Mitchell-Titus CPA firm for review of approximately 30 percent of the reinsured companies. Review Objectives were to:

1. Determine the accuracy of 11 financial ratios being calculated by FCIC based upon data reported by reinsured companies.
2. Determine the reasonableness of financial transactions between FCIC and the reinsured companies.
3. Determine the reasonableness and appropriateness of the various operating transactions and financial reports through the most recent period.
4. Determine the reasonableness of reinsured company interval controls in reducing FCIC exposure to the risk of fraud, waste, abuse, and inefficiency.
5. Determine the accuracy of premium billings and claims processed by the reinsured company.

All findings were relatively insignificant. For example, there were minor differences between the Company's books and ADP reports to FCIC due to untimely reconciliations; some proof of claims forms were not signed because Company used its own procedures; there were several minor discrepancies due to errors on premium billings; some applications and acreage reports were not signed.

In addition to the Mitchell-Titus reviews, FCIC personnel have performed a limited number of audits/reviews. As of March 1, 1986, FCIC has conducted several on-site loss adjustment and services related reviews of reinsured company activities. The reviews have entailed all levels of affected personnel; i.e., company offices, loss supervisors, loss adjusters, and agents. Some of the highlighted findings of the reviews are as follows:

1. Reinsured companies have failed to provide proper and adequate oversight of their loss adjustment operations and service related activities. Some companies have allocated little or no resources to monitor their loss adjustment activities.
2. Companies have allowed too much involvement of the agents in the assignment, coordination and actual adjustment of loss claims between the adjuster and insured. In some isolated cases agents have been suspected or alleged to be in collusion with insureds in the determination of the loss. These cases have been referred to the Office of Inspector General (OIG) for investigation.
3. The lack of oversight by some companies appears to have allowed producers to take advantage of the program by filling suspected false insurance claims. These cases have occurred in areas where the company was spread too thin at a management level to oversee the loss activity. Again, these cases have been referred to the OIG for investigation.
4. Discrepancies have been noted which identify inconsistencies in loss adjustment procedures. In some cases, forms are being utilized other than those recognized and approved by FCIC.

The FCIC review has centered around those companies and/or agents who have been alleged to be involved in some questionable practices. Several FCIC reviews have resulted favorably with little if any adverse findings.

FCIC CAPITAL

Mr. WHITTEN. Please provide for the record an update of the chart analyzing the capital of the Corporation.

[The information follows:]

Analysis of Changes in Capital - Fiscal Years 1986 and 1987

	F.Y. 1985 Actual	Page 12-3, Vol. I, Explanatory Notes		Current Estimates	
		F.Y. 1986 Est. (Crop Year 1985-- Loss Ratio 1.50)	F.Y. 1987 Est. (Crop Year 1986-- Loss Ratio .90)	F.Y. 1986 Est. (Crop Year 1985-- Loss Ratio 1.55)	F.Y. 1987 Est. (Crop Year 1986-- Loss Ratio .90)
Net capital at beginning of year	$174,253,224	$133,760,212	$174,688,238	$133,760,212	$142,952,893
Additions to Capital:					
Subscription to Capital Stock	50,000,000	0	0	0	0
Appropriation (Premium Subsidy)	110,000,000	134,190,000	124,033,823	134,190,000	124,033,823
Treas Borr, CCC Borr, Int Reimb	113,000,000	250,000,000	11,708,898	250,000,000	11,708,898
Deductions from Capital:					
Repaid Treas. Borr ($113 M)...	0	0	25,000,000	0	25,000,000
Repaid CCC Borr ($250 M)......	0	0	0	0	0
SUBTOTAL....................	447,253,224	517,950,212	285,430,960	517,950,212	253,695,614
Income:					
Insurance Prem. (farmer) MMA..	137,159,382	90,367,995	56,439,914	90,367,995	56,439,914
Reinsurance Program (Incl PR):	262,052,068	322,000,000	425,254,931	325,000,000	425,254,931
Less: Company share of gain	2,370,406	3,318,319	25,066,888	4,050,635	25,066,888
Amount deferred......	333,354	674,248	0	674,248	0
Premium subsidy......	59,910,112	75,402,590	105,428,750	75,402,590	105,428,750
Subtotal...........	62,613,872	79,395,158	130,495,638	80,127,473	130,495,638
Net Reins. (incls P.R.).......	199,438,196	242,604,842	294,759,293	244,872,527	294,759,293
Prior yr adjs--Reins(incls PR)	-33,044	0	0	0	0
Int. & other income (Reins)...	0	0	0	0	0
Interest and other income.....	5,945,418	0	0	0	0
Prior year adjustments........	-2,467	0	0	0	0
Subtotal, Income............	342,507,485	332,972,837	351,199,207	335,240,522	351,199,207
Expenses:					
Government Indemnities........	258,861,641	177,000,000	67,540,489	215,300,000	67,540,489
Prior year adjustments......	-2,672,598	0	0	0	0
Reinsurance Program (Incl PR):					
Reinsurance losses..........	382,518,865	483,000,000	382,729,438	471,300,000	382,729,438
Less: Comp. share of losses.	5,942,510	12,425,189	0	5,022,159	0
Net reins losses (incl P.R.)	376,576,355	470,574,811	382,729,438	466,277,841	382,729,438
Prior yr adjs--Reins(incls PR)	4,240,410	0	0	0	0
Agents' comms--Prior Yr Adjs..	677,203	0	0	0	0
Loss Adj.cost (Prior Yr Adjs.)	0	0	0	0	0
Est. uncollectible premium....	493,348	2,360,000	1,128,798	2,360,000	1,128,798
Prior year & other adjustments	17,415,240	4,609,375	0	4,609,375	0
Int. on Treas Borr ($113 M)...	408,898	11,300,000	8,800,000	11,300,000	8,800,000
Int. on CCC Borr ($250 M).....	0	10,390,625	25,000,000	10,390,625	25,000,000
Subtotal, Expenses..........	656,000,497	676,234,811	485,198,725	710,237,841	485,198,725
Net Income or Loss (-) for the year.................	-313,493,012	-343,261,974	-133,999,518	-374,997,319	-133,999,518
Net capital at end of year......	133,760,212	174,688,238	151,431,441	142,952,893	119,696,096
Analysis of Capital:					
Capital Stock:					
Authorized	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Unissued	0	0	0	0	0
Issued	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Treasury Borrowing	113,000,000	113,000,000	113,000,000	113,000,000	113,000,000
CCC Borrowing	0	250,000,000	250,000,000	250,000,000	250,000,000
Paid-in-Capital:					
Paid-in-surplus	37,978,471	37,978,471	37,978,471	37,978,471	37,978,471
Approp. (premium subisdy)	368,148,000	502,338,000	626,371,823	502,338,000	626,371,823
Approp. (agents' Comm.)	47,909,000	47,909,000	47,909,000	47,909,000	47,909,000
Approp (loss adjustment)	4,632,000	4,632,000	4,632,000	4,632,000	4,632,000
Approp. (Interest Reimb.)	0	0	11,708,898	0	11,708,898
Cum surplus (+) or deficit (-)	-937,907,259	-1,281,169,233	-1,415,168,751	-1,312,904,578	-1,446,904,097
Redemption of Debt--Treas Borr	0	0	-25,000,000	0	-25,000,000
Net capital at end of period	133,760,212	174,688,238	151,431,441	142,952,893	119,696,096

UNOBLIGATED BALANCES LAPSING

Mr. **Whitten.** Please provide for the record a table showing the history of the unobligated balances lapsing which were returned to the Treasury for fiscal years 1981 through 1985.

[The information follows:]

FEDERAL CROP INSURANCE CORPORATION UNOBLIGATED BALANCES LAPSING—FISCAL YEARS 1981 THROUGH 1985

[In thousands of dollars]

	Appropriation	Obligations	Balance lapsing
1981	57,739	57,739	
1982	117,600	112,319	5,281
1983	236,191	131,306	104,885
1984	200,000	177,604	22,396
1985	200,502	199,608	894

UTILIZATION OF ASCS COUNTY OFFICE AUTOMATION

Mr. **Whitten.** Last year in the hearing record you stated that the study to determine whether faster and more efficient service could be delivered to the producer using the ASCS county office computer capability compared to the current centralized paper management operations would be completed in the spring of 1986. Is that study still on schedule?

Mr. **Sprague.** The Operations Automation Study, initiated in May 1984, to determine the feasibility of decentralized processing was basically completed 6 months ahead of schedule. Preliminary results indicated it is indeed feasible and will improve service at a reasonable cost.

Automation technology has made centralized mainframe processing less responsive. The use of mini-computers is much more efficient and cost-effective. It is planned the decentralized system could be operational by 1987. This system will be a shared use system with personnel, office space, telephone, supplies, etc. shared in specified co-located offices.

Mr. **Whitten.** Do you have any preliminary results that you could share with the Committee?

Mr. **Sprague.** Under the current system Kansas City Computer Center, costs are approximately $2.7 million per year. Turn around time using the present batch processing system for documents is about 2 weeks. Under the decentralized system it is estimated costs will be approximately $1.0 million per year with a document turn around time of 2–4 days. We will provide for the record a copy of the Executive Summary of Request for Technical Approval and Delegated Procurement Authority, FCIC–86–1, dated 12/18/85.

[The information follows:]

From: Request for Technical Approval and Delegated Procurement Authority FCIC–86–1 dated December 18, 1985.

EXECUTIVE SUMMARY

This request for Technical Approval and Delegated Procurement Authority was authorized by the Deputy Administrator for Management, ASCS and Assistant Manager for Administration, FCIC on November 12, 1985.

Approval is requested for the Operations Automation Project, (OAP) by the Federal Crop Insurance Corporation, (FCIC), United States Department of Agriculture. The requesting individual is Michael A. Bronson, Assistant Manager for Administration. The principal contact for this project is Spencer Child, OAP Manager, 8900 State Line Avenue, Leawood, KS. 66206; telephone number 913-236-3047, FTS 757-3047.

This request is for Technical Approval of a project to design and implement a distributed processing system to service all Federal Crop Insurance Policies written either by Master Marketing Agents, (MMA) or by ASCS county offices where such writing and servicing is specifically requested by FCIC management. This system will replace the current batch processing system run in the Kansas City Operations Office of FCIC using the Honeywell DPS 8/70 systems in the Kansas City Computer Center. The system for which approval is requested will be run on ASCS state office computers in twenty-one locations and in seven other locations will be run on identical (IBM System 36) computer systems to be procured by ASCS for FCIC under their existing contract for hardware and software for the State and County Office Automation Project, (SCOAP). Existing ASCS computer facilities will be utilized in all locations where FCIC and ASCS are located in the same city. Separate hardware and software will only be acquired for FCIC to service locations where an FCIC Regional Office is not currently located in the same city with an ASCS State Office or where current or projected ASCS workload dictates the acquisition of an additional system. DEPNET will be used for all communications required to transmit information to support a centralized management information system and corporate accounting system in Kansas City.

This request is also for a Delegated Procurement Authority, (DPA) to FCIC for ASCS to upgrade existing ASCS State Office hardware in twenty-one locations and to procure ten additional hardware and associated software systems for FCIC to support the non co-located offices and three systems for software development and maintenance to be installed in Kansas City. A possible future portion of this upgrade and procurement will support the computation of Actual Production History, (APH) and the storage of this individual production history to support the FCIC actuarial structure.

RATIO OF ADMINISTRATIVE EXPENSES TO PREMIUMS

Mr. WHITTEN. Please update the chart appearing on page 60 of last year's hearing regarding the ratio of administrative and operating expenses to premiums.

[The information follows:]

RATIO OF ADMINISTRATIVE AND OPERATING EXPENSES TO PREMIUM

[Dollar amounts in thousands]

	Administrative and operating expenses[1]	Premium	Ratio
Year:			
1974	$17,842	$53,984	$0.331
1975	21,119	73,377	.288
1976[2]	29,031	90,838	.320
1977	25,925	101,776	.255
1978	28,909	93,860	.308
1979	30,283	103,324	.293
1980	37,544	157,616	.238
1981	91,951	379,169	.243
1982	137,201	398,668	.344
1983	131,306	291,495	.450
1984	177,604	436,737	.407
1985	199,608	443,000	.451

[1] These amounts include the direct cost of loss adjustment and other administrative expenses paid from premium income.

[2] Includes transition quarter, July 1 to September 30, 1976.

TOTAL ADMINISTRATIVE AND SUPPORT COSTS

Mr. Whitten. Please provide for the record an update of information which appears on page 60 of last year's hearing showing the total administrative cost and support cost as percentage of premium.

[The information follows:]

TOTAL ADMINISTRATIVE COST AND SUPPORT COST AS PERCENT OF PREMIUM

(In thousands of dollars)

	Fiscal years—		
	1985	1986	1987
Total administrative expenses	199,608	209,608	239,885
Less direct costs:			
A. Reinsurance administrative expenses	77,783	136,082	184,581
B. Reinsurance loss adjustment	25,105	([1])	([1])
C. Agents' commissions (MMA's)	17,711	11,257	1,318
D. Loss adjustment contractors	10,317	6,114	2,084
E. ASCS agreement	16,910	6,614	4,257
Total direct costs	147,826	160,067	192,240
Balance, program support costs	51,782	49,541	47,645
Total premium	441,000	540,000	600,000
Program support cost as percent of premium	11.7	9.9	8.1
Total cost as percent of premium	45.1	41.9	41.0

[1] Beginning with the 1986 Reinsurance Agreement, the reinsured companies will receive a flat rate reimbursement of 30 percent which includes an amount for loss adjustment functions.

AVERAGE ADMINISTRATIVE EXPENSE PER CONTRACT

Mr. Whitten. Please update the chart which appears on page 61 of last year's hearing regarding the average administrative cost per contract.

[The information follows:]

Average Administrative Expenses Per Contract

The average cost per contract for program administration, fiscal years 1974 through 1984, unadjusted for inflation, is as follows:

Fiscal year:	*Average cost*
1974	$85.21
1975	98.80
1976	102.08
1977	116.15
1978	137.51
1979	161.10
1980	171.94
1981 [1]	281.87
1982 [1]	347.29
1983 [1]	429.44
1984 [1]	467.45
1985 estimate [1]	483.58

[1] Includes reinsurance operations and commissions to sales and service contractors (MMA's).

NEW COUNTY PROGRAMS

Mr. **Whitten.** Please provide for the record the number of new counties and new county crop programs having zero business in 1985 and which crops were involved.

[The information follows:]

1041 new county crops programs were added in 1985. These programs involved 21 crops.

A total of 620 new county programs had zero business in 1985. Zero business counties involved 20 crops. The one fresh sweet corn county had business.

New county programs for 1985 were as follows:

Crop	*No. counties*
Apples	86
Dry Beans	83
Dry Peas	15
ELS Cotton	12
Flax	20
Fresh Sweet Corn	1
Grain Sorghum	1
Grapes	13
Green Peas	34
Hybrid Seed	314
Peaches	22
Peanuts	12
Popcorn	58
Potatoes	69
Soybeans	141
Sugar Beets	21
Sunflowers	27
Sweet Corn	55
Tobacco	32
Tomatoes	18
Walnuts	7
Total	1,041

DETAILED STATISTICS ON NEW COUNTY PROGRAMS

Mr. **Whitten.** Please also provide for the record a table showing the new county programs, by crop, premium income, indemnities and the loss ratio for fiscal year 1985.

[The information follows:]

1985 New County Program
Premium and Indemnity Experience*

STATE/COUNTY	CROP	PREMIUM	INDEMNITY	LOSS RATIO
ALASKA				
Matanuska-Susit	Potatoes	$ 376	$ 0	0.00
ARIZONA				
Graham	Cotton, ELS	36,381	0	0.00
Pima	Cotton, ELS	2,617	0	0.00
Pinal	Cotton, ELS	25,427	0	0.00
ARKANSAS				
Jackson	Peanuts	6,783	10,592	1.56
CALIFORNIA				
Humboldt	Potatoes	5,799	0	0.00
Kern	Potatoes	130,313	87,552	.67
San Joaquin	Grapes	325,925	79,190	.24
Yuba	Beans	4,061	0	0.00
COLORADO				
Cheyenne	Beans	1,364	0	0.00
CONNECTICUT				
Fairfield	Apples	3,196	39,718	12.43
Hartford	Potatoes	19,105	0	0.00
Litchfield	Apples	365	0	0.00
DELAWARE				
Kent	Peas, Green	601	690	1.15
	Tomatoes	3,843	25,332	6.59
Sussex	Peas, Green	13,233	15,303	1.16
	Sweet Corn	1,899	2,046	1.08
	Tomatoes	11,097	31,574	2.85
FLORIDA				
Collier	Potatoes	79,670	25,120	.32
Lafayette	Soybeans	1,934	0	0.00
Lee	Potatoes	15,503	0	0.00
Martin	Potatoes	40,943	0	0.00
Palm Beach	Fr. Sweet Corn	83,819	275,173	3.28
GEORGIA				
Butts	Peach, Frsh	$ 134	$ 697	5.20
Clinch	Soybeans	766	0	0.00
Henry	Peach, Frsh	2,241	13,500	6.02
Jones	Peach, Frsh	490	0	0.00
Liberty	Soybeans	595	0	0.00
Oconnee	Peach, Frsh	2,126	11,212	5.27
Spalding	Peach, Frsh	373	2,365	6.34

STATE/COUNTY	CROP	PREMIUM	INDEMNITY	LOSS RATIO
IDAHO				
Custer	Potatoes	9,415	0	0.00
Idaho	Peas, Dry	6,536	13,459	2.06
INDIANA				
Allen	Hybrid Seed	40,906	0	0.00
Bartholomew	Hybrid Seed	7,110	0	0.00
Benton	Hybrid Seed	108,180	0	0.00
Boone	Hybrid Seed	6,301	0	0.00
Carroll	Hybrid Seed	7,647	0	0.00
Decatur	Hybrid Seed	37,286	0	0.00
	Tobacco	268	0	0.00
Delaware	Tomatoes	3,564	0	0.00
Elkhart	Hybrid Seed	73,127	0	0.00
Floyd	Popcorn	803	0	0.00
Fountaine	Hybrid Seed	844	0	0.00
Hamilton	Hybrid Seed	9,125	0	0.00
Hancock	Hybrid Seed	56,652	0	0.00
Henry	Hybrid Seed	11,032	0	0.00
Howard	Hybrid Seed	1,878	0	0.00
Huntington	Hybrid Seed	1,984	0	0.00
Jasper	Hybrid Seed	33,826	0	0.00
Jay	Hybrid Seed	16,156	0	0.00
Johnson	Hybrid Seed	3,032	0	0.00
Kosciusko	Hybrid Seed	3,674	0	0.00
Lagrange	Hybrid Seed	19,446	0	0.00
La Porte	Hybrid Seed	14,396	0	0.00
Madison	Hybrid Seed	2,215	0	0.00
Marion	Hybrid Seed	5,989	0	0.00
Marshall	Popcorn	101	0	0.00
Montgomery	Hybrid Seed	2,290	0	0.00
Newton	Hybrid Seed	114,314	121,237	1.06
Noble	Hybrid Seed	64,336	0	0.00
Orange	Popcorn	1,816	10,565	5.82
Parke	Hybrid Seed	25,400	0	0.00
Porter	Hybrid Seed	9,354	0	0.00
Rush	Hybrid Seed	22,546	0	0.00
Shelby	Hybrid Seed	10,061	0	0.00
Sullivan	Hybrid Seed	6,542	0	0.00
Tippecanoe	Hybrid Seed	35,015	0	0.00
Tipton	Hybrid Seed	25,252	0	0.00
	Popcorn	882	0	0.00
Vermillion	Popcorn	345	1,041	3.02
Wabash	Hybrid Seed	631	0	0.00
Warren	Hybrid Seed	13,734	0	0.00
Wells	Hybrid Seed	46,169	0	0.00
White	Hybrid Seed	24,269	0	0.00

STATE/COUNTY	CROP	PREMIUM	INDEMNITY	LOSS RATIO
IOWA				
Appanoose	Hybrid Seed	$ 75,347	$ 0	0.00
Benton	Hybrid Seed	38,231	0	0.00
Black Hawk	Hybrid Seed	1,921	0	0.00
Boone	Hybrid Seed	4,805	0	0.00
Buena Vista	Hybrid Seed	32,347	3,760	.12
Carroll	Hybrid Seed	8,610	0	0.00
Clay	Hybrid Seed	5,675	0	0.00
Clinton	Hybrid Seed	2,621	0	0.00
Crawford	Hybrid Seed	29,991	0	0.00
Dallas	Hybrid Seed	990	0	0.00
Decatur	Popcorn	1,112	0	0.00
Des Moines	Popcorn	351	0	0.00
Franklin	Hybrid Seed	591	0	0.00
Greene	Hybrid Seed	3,326	0	0.00
Grundy	Beans	663	0	0.00
	Hybrid Seed	280,365	40,842	0.15
Guthrie	Hybrid Seed	3,455	0	0.00
Harrison	Beans	7,931	3,788	.48
	Hybrid Seed	5,880	0	0.00
Henry	Hybrid Seed	9,252	0	0.00
Humboldt	Hybrid Seed	14,167	0	0.00
Ida	Hybrid Seed	1,550	0	0.00
Jasper	Hybrid Seed	4,577	0	0.00
Kossuth	Popcorn	215	0	0.00
Louisa	Hybrid Seed	36,696	0	0.00
Lucas	Popcorn	2,824	0	0.00
Marshall	Hybrid Seed	69,979	0	0.00
Monona	Beans	898	0	0.00
	Hybrid Seed	147,950	0	0.00
Palo Alto	Hybrid Seed	40,373	0	0.00
Polk	Hybrid Seed	5,120	0	0.00
W Pottawattamie	Hybrid Seed	11,144	0	0.00
Poweshiek	Hybrid Seed	6,298	0	0.00
Sac	Hybrid Seed	13,564	0	0.00
Shelby	Hybrid Seed	12,915	0	0.00
Sioux	Beans	800	0	0.00
Tama	Hybrid Seed	15,690	0	0.00
Washington	Hybrid Seed	36,772	21,595	.59
Webster	Hybrid Seed	2,550	0	0.00
Winnebago	Sweet Corn	509	0	0.00
Woodbury	Beans	890	0	0.00
	Hybrid Seed	18,539	0	0.00
Wright	Hybrid Seed	3,723	0	0.00
KANSAS				
Cheyenne	Beans	19,424	0	0.00
Graham	Soybeans	720	0	0.00
Lane	Soybeans	604	0	0.00
Norton	Soybeans	1,917	0	0.00
Phillips	Soybeans	675	0	0.00
Rawlins	Soybeans	1,145	0	0.00

STATE/COUNTY	CROP	PREMIUM	INDEMNITY	LOSS RATIO
KANSAS (Cont.)				
Rooks	Soybeans	62	0	0.00
Sheridan	Beans	2,959	0	0.00
Wallace	Beans	1,725	2,240	1.30
	Soybeans	3,492	0	0.00
Wichita	Beans	2,891	0	0.00
KENTUCKY				
Marshall	Popcorn	$ 3,099	$ 0	0.00
MAINE				
Androscoggin	Apples	8,634	3,425	.40
Aroostook	Peas, Green	97,019	35,919	.37
Oxford	Apples	4,543	5,048	1.11
York	Apples	11,416	0	0.00
MASSACHUSETTS				
Hampshire	Apples	3,377	28,271	8.37
MICHIGAN				
Allegan	Apples	2,907	0	0.00
	Potatoes	20,377	0	0.00
Alpena	Beans	5,089	0	0.00
	Soybeans	627	0	0.00
Arenac	Potatoes	10,122	0	0.00
Cheboygan	Beans	58	680	11.72
Delta	Beans	9,278	14,878	1.60
	Potatoes	6,741	0	0.00
Montmorency	Beans	1,484	9,187	6.19
Presque Isle	Beans	2,576	730	.28
Tuscola	Potatoes	11,850	23,342	1.97
Van Buren	Apples	2,292	0	0.00
MINNESOTA				
Becker	Beans	13,712	0	0.00
Douglas	Beans	145	880	6.07
Jackson	Hybrid Seed	13,754	0	0.00
Kittson	Beans	739	8,029	10.86
Koochiching	Sunflowers	1,161	11,980	10.32
Meeker	Hybrid Seed	56,419	0	0.00
Norman	Beans	1,677	2,589	1.54
Pennington	Soybeans	2,616	10,128	3.87
Ramsey	Soybeans	390	0	0.00
Red Lake	Potatoes	27,620	0	0.00
Renville	Hybrid Seed	12,159	0	0.00
Swift	Hybrid Seed	25,304	0	0.00
Wadena	Beans	404	0	0.00
Wilkin	Beans	389	0	0.00
Wright	Hybrid Seed	50,026	0	0.00
Yellow Medicine	Beans	1,667	0	0.00

STATE/COUNTY	CROP	PREMIUM	INDEMNITY	LOSS RATIO
MISSOURI				
Dunklin	Peach, Frsh	1,085	0	0.00
NEBRASKA				
Adams	Hybrid Seed	70,073	31,945	.46
Banner	Potatoes	23,926	270,713	11.31
Boone	Popcorn	6,108	0	0.00
Box Butte	Potatoes	28,609	0	0.00
Boyd	Soybeans	436	0	0.00
Brown	Soybeans	4,813	0	0.00
Buffalo	Hybrid Seed	420	0	0.00
Chase	Popcorn	24,900	0	0.00
	Soybeans	2,877	976	.34
Cheyenne	Sugar Beets	31,493	86,406	2.74
Clay	Hybrid Seed	$65,338	$ 0	0.00
Cuming	Hybrid Seed	1,984	0	0.00
Dawson	Hybrid Seed	26,848	0	0.00
	Soybeans	36,748	15,030	.41
Dodge	Hybrid Seed	63,493	0	0.00
Dundy	Soybeans	3,747	3,680	.98
Frontier	Soybeans	14,058	0	0.00
Garfield	Soybeans	2,410	0	0.00
Gosper	Soybeans	24,169	12,568	.52
Hall	Hybrid Seed	55,185	2,411	.04
Hamilton	Hybrid Seed	39,720	0	0.00
Hayes	Soybeans	5,159	4,316	.84
Hitchcock	Beans	19,692	6,756	.34
	Soybeans	3,608	816	.23
Howard	Popcorn	1,384	0	0.00
Kearney	Popcorn	590	0	0.00
Keith	Soybeans	11,984	8,190	.68
Kimball	Potatoes	16,556	55,363	3.34
Lincoln	Soybeans	12,341	0	0.00
Loup	Soybeans	384	0	0.00
Morrill	Potatoes	3,132	2,871	.92
Perkins	Potatoes	23,362	0	0.00
	Soybeans	18,955	21,722	1.15
Phelps	Hybrid Seed	8,106	0	0.00
Red Willow	Beans	12,546	35,862	2.86
Rock	Beans	14,046	0	0.00
	Soybeans	6,135	0	0.00
Scotts Bluff	Potatoes	1,503	0	0.00
Seward	Hybrid Seed	40,045	0	0.00
Valley	Popcorn	8,664	0	0.00
NEW MEXICO				
Dona Ana	Cotton	3,439	0	0.00
	Cotton, ELS	1,666	0	0.00
Eddy	Cotton	27,177	60,392	2.22

STATE/COUNTY	CROP	PREMIUM	INDEMNITY	LOSS RATIO
NEW YORK				
Clinton	Apples	22,756	0	0.00
Essex	Apples	1,000	0	0.00
Orange	Apples	1,384	15,008	10.84
Saratoga	Apples	16,409	0	0.00
NORTH CAROLINA				
Anson	Peach, Frsh	2,815	8,041	2.86
Beaufort	Potatoes	3,719	9,414	2.53
Cleveland	Peach, Frsh	5,894	22,080	3.75
Haywood	Apples	30,440	0	0.00
Lincoln	Peach, Frsh	2,120	6,200	2.92
McDowell	Apples	21,461	0	0.00
Mitchell	Apples	20,051	61,430	3.06
Montgomery	Peach, Frsh	19,367	65,181	3.37
Moore	Peach, Frsh	8,627	38,780	4.50
Richmond	Peach, Frsh	22,317	50,743	2.27
Rutherford	Peach, Frsh	18,978	68,785	3.62
NORTH DAKOTA				
Benson	Beans	$ 771	$ 0	0.00
Divide	Flax	3,953	4,298	1.09
Eddy	Beans	777	0	0.00
Foster	Soybeans	222	0	0.00
Grant	Flax	599	0	0.00
McKenzie	Flax	224	984	4.39
Nelson	Soybeans	3,530	5,255	1.49
Slope	Flax	140	0	0.00
Stark	Flax	462	311	.67
Wells	Soybeans	261	0	0.00
Williams	Beans	1,527	0	0.00
	Flax	2,100	11,748	5.59
OHIO				
Athens	Soybeans	1,014	0	0.00
Clinton	Hybrid Seed	3,814	0	0.00
Delaware	Hybrid Seed	17,549	0	0.00
Fulton	Hybrid Seed	15,853	0	0.00
Henry	Hybrid Seed	485	0	0.00
Lake	Grapes	3,333	0	0.00
Licking	Hybrid Seed	63,445	0	0.00
Lorain	Grapes	4,816	0	0.00
Marion	Hybrid Seed	1,456	0	0.00
Montgomery	Hybrid Seed	12,981	0	0.00
Paulding	Hybrid Seed	12,118	0	0.00
Preble	Hybrid Seed	3,446	0	0.00
Seneca	Hybrid Seed	9,638	0	0.00
OREGON				
Gilliam	Peas, Dry	2,562	0	0.00
Jefferson	Potatoes	8,169	0	0.00

STATE/COUNTY	CROP	PREMIUM	INDEMNITY	LOSS RATIO
PENNSYLVANIA				
Adams	Apples	26,936	1,572	.06
Cumberland	Soybeans	713	0	0.00
Franklin	Apples	6,479	0	0.00
Somerset	Potatoes	13,286	0	0.00
RHODE ISLAND				
Providence	Apples	5,648	35,753	6.33
SOUTH CAROLINA				
Hampton	Tobacco	2,170	0	0.00
Oconee	Apples	55,880	6,682	.12
Spartanburg	Apples	5,867	43,883	7.48
SOUTH DAKOTA				
Harding	Sunflowers	1,014	4,610	4.55
Mellette	Sunflowers	2,404	2,058	.86
TEXAS				
El Paso	Cotton, ELS	8,269	0	0.00
Hudspeth	Cotton, ELS	1,992	0	0.00
UTAH				
Utah	Apples	$ 46,227	$ 0	0.00
VERMONT				
Addison	Apples	36,975	42,009	1.14
Windham	Apples	3,682	6,064	1.65
VIRGINIA				
Clarke	Soybeans	175	0	0.00
Madison	Apples	15,380	0	0.00
Nelson	Apples	8,950	64,303	7.18
Rappahannock	Apples	18,021	0	0.00
Rockingham	Apples	13,157	0	0.00
Shenandoah	Soybeans	1,872	0	0.00
Wythe	Tobacco	119	0	0.00
WASHINGTON				
Adams	Apples	41,140	76,983	1.87
Franklin	Apples	24,369	28,004	1.15
Kittitas	Apples	8,270	40,352	4.88
WISCONSIN				
Eau Claire	Beans	327	0	0.00
Shawano	Sweet Corn	1,205	0	0.00
Walworth	Potatoes	15,508	0	0.00
U.S. Total for 1985 New County Programs		$4,672,372	$2,334,225	0.50

Data from Annual 1.3 as of 1/24/86 printed 1/29/86
*1985 data has not been finalized. Changes may occur as new data is received.

GLOSSARY OF CROP INSURANCE TERMS

Mr. WHITTEN. Please provide for the record a copy of the glossary of crop insurance terms.

[The information follows:]

FEDERAL CROP INSURANCE CORPORATION

Glossary of Crop Insurance Terms

Actual Production History - Under Actual Production History (APH) yield guarantees are based on the actual production records of each insured farmer. Farmers provide production data to form a 10-year data base. High and low yields in the 10 year period are dropped to minimize the impact of unusual experiences. Insurance guarantees are based on the average of the remaining 8 years.

Actuarial Structure - The base upon which rates and coverages are established. Factors include experience by county, soil productivity, risk exposure to insurable causes of loss, and cropping practices as well as other variables.

Agency Sales and Service Agreement - An agreement between an insurance company, agency, association or other organization, serving as an agent, and FCIC under which the agent agrees to sell and provide limited servicing on FCIC crop insurance policies through its sub-agents in return for reimbursement on a commission basis from FCIC. Also called a Master Marketing Agreement.

Agents' Commissions - Reimbursement paid by FCIC to Agency Sales and Service Agreement (Master Marketing) Contractors for selling and servicing FCIC crop insurance policies. These contractors, in turn, pay commissions under contract to their sub-agents.

Cancellation Rate - Dollar amount of premiums cancelled in the current crop year divided by the total premiums accrued in the previous crop year.

Capital Stock - The working capital of the Corporation, authorized by the FCI Act of 1980, 7 U.S.C. 1504, at $500 million. Currently, $450 million of the $500 million authorized has been issued.

County Crop Program - Insurance on a given commodity in a given county: If Virginia insures tobacco in six counties, the state has six tobacco programs.

Crop Year - The period of time within which a crop is normally grown, and is designated by the calendar year in which the crop is normally harvested.

Debt Cancellations (Terminations for Debt) - Termination of the insurance contract due to failure by the insured to pay any premium due.

Indemnities - Payments made to farmers for losses under a crop insurance policy.

IYCP (Individual Yield Coverage Program) - An optional program in which growers can have insurance coverage based totally or in part on their past individual yields instead of being based solely on the average county or area yields.

Insurance in Force - Total dollar amount of protection in a given crop year; i.e., liability.

Insured Acres - Acres insured by producers under crop insurance policies.

Loss Adjustment Contract - An agreement between an individual and the Corporation whereby the individual performs loss adjustment and related duties in return for a specified hourly compensation rate and reimbursement for travel expense.

Loss Adjustment Process - Upon damage or loss the farmer notifies his service office (agent). The service office in turn prepares the claim form depending on crop and unit damage occurred. A preliminary inspection is conducted where only a part of a unit is damaged and may need an appraisal for various reasons. A notice of loss is given when the final claim needs to be prepared on a unit basis, which normally occurs at the end of harvest or the complete destruction of the unit.

Upon completion of the agent's portion of the claim form, the form and service office file for the contract is forwarded to a designated field supervisor. The supervisor reviews the file and forwards it to a loss adjustment contractor assigned to him. The loss adjuster makes an appointment by phone with the insured and subsequently makez the final inspection, completes the loss form, as applicable, obtains the farmer's signature and forwards the prepared claim form and service office folder back to the supervisor.

The supervisor reviews the form for accuracy, forwards the claim form and the insured's folder to the Field Operations Office. The Field Operations Office reviews all loss forms received and subsequently forwards the claim form to Kansas City for processing, and returns the insured's file folder to the field supervisor. The field supervisor then returns the insured's folder to the applicable agent.

Upon receipt of the claim form in Kansas City, the form is blocked and coded and entered into the computer on a weekly basis. After the claim form has been accepted as correct by the computer, a tape is submitted to the U.S. Treasury in Kansas City and a check is printed and mailed to the insured for payment of his claim.

Loss Ratio - A measure of crop insurance experience for a crop year which is determined by dividing indemnities by premiums.

New Sales Premium - Premium earned under a crop insurance policy which was not in force during the previous crop year.

Participation Rate - A measure of growth determined as a percentage of insured acres to potential acres.

Payment-in-Kind (PIK) - Paying producers with commodities from CCC stocks or producer loan stocks for not growing their crops.

Potential Acres - Those acres that will be planted to the commodities that will be eligible for crop insurance, adjusted for high risk areas, such as flooding, improper land use, etc. SRS data is used as FCIC basis for determining these acres.

Premium, Total - Payment made by the farmer and the taxpayer for purchasing crop insurance.

Premium Subsidy - The portion of total premium which is appropriated, thereby paid by the taxpayer. A premium subsidy of 30 percent is paid on the 50 and 65 percent levels of coverage.

Price Election - Price per unit (bushel, pound, etc.) of the insured commodity, upon which premiums, liabilities and indemnities are calculated. Generally there are three prices from which the insured may choose, one of which is to be not less than 90% of the projected market price. Some crops, in lieu of production guarantees and price elections, have dollar amounts of insurance established.

Producer Premium - The producer's share of the total premium due on an insurance policy.

Reinsurance - A financial transaction whereby an insurance company transfers some of the liabilities under policies that it issues and services to another insurance company, the reinsurance company. The policyholder deals only with the insurance company. In the crop insurance program FCIC is the reinsurance company for about 70 insurance companies operating under about 40 agreements.

Reinsurance Administrative Expense - The reimbursement by FCIC to the reinsured company to cover acquisition (agent and sales) expense, general operating expense, loss adjustment costs, premium taxes, service bureau fees, and miscellaneous general expenses related to multi-peril crop insurance policies. For 1986 the rate of reimbursement for administrative and operating and loss adjustment expenses is a flat rate of 30 percent. For estimating purposes, and additional two percent is added as an overall average for premium tax.

Reinsurance Agreement - The legal contract between FCIC and the reinsured company identifying the rights and responsibilities of both parties. The agreement remains in effect until cancelled by either party.

Reinsurance Underwriting Gains/Losses - The dollar amount of gain or loss to the reinsured company based on the incurred loss ratio (indemnities divided by premium). FCIC assumes a share of the underwriting loss incurred (claims exceed premiums) in return for receiving a share of the premium in years when the loss ratio is favorable. Currently a company can have an underwriting gain or loss in any year as high as 11 1/3 percent of written premium with the remainder transferred to FCIC.

Reinsured Company - An insurance company whose liabilities are partially assumed by another entity under a reinsurance agreement.

Renewal (or carryover) Commissions - Commissions earned by a general sales and service agency for limited servicing of a crop insurance policy which was in force during the previous crop year.

Renewal (or carryover) Premium - Premium earned under a crop insurance policy which was in force during the previous crop year.

CROP INSURANCE COUNTIES SERVICED BY ASCS

Mr. WHITTEN. Please provide for the record a list of all counties in which you have asked ASCS to sell and service all-risk crop insurance through their county offices in fiscal years 1985, 1986, and your estimate for 1987.

[The information follows:]

ASCS county offices designated to sell and service FCIC insurance

State	*County office*
A. F.Y. 1985:	
a. Pilot Prevented Planting Insurance:	
Indiana	Posey, Vanderburgh
Minnesota	Kittson, Marshall
Mississippi	Leflore, Sunflower
Ohio	Brown, Highland
Wisconsin	Clark, Eau Claire
b. Regular Crop Insurance:	
Minnesota	North St. Louis
Utah	Carbon
Washington	Skagit (San Juan, Island)
Wisconsin	Forest (Florence, Vilas), Marienette
B. F.Y. 1986:	
a. Pilot Prevented Planting Insurance:	
Indiana	Posey, Vanderburgh
Minnesota	Kittson, Marshall
Mississippi	Leflore, Sunflower
Ohio	Brown, Highland
Wisconsin	Clark, Eau Claire
b. Regular Crop Insurance:	
Alaska	Fairbanks North Star, Matanuska Susitna, Southeast Fairbanks, Valdez-Cordova
Minnesota	North St. Louis (Itasca), South St. Louis (Lake, Cook, Carlton)
Utah	Emery (Carbon)
Washington	Skagit (San Juan, Island)
Wisconsin	Forest (Florence, Oneida, Vilas) Marienette
C. Estimate for F.Y. 1987:	
a. Regular Crop Insurance:	
Alaska	Fairbanks North Star, Matanuska Susitna, Southeast Fairbanks, Valdez-Cordova
Minnesota	North St. Louis (Itasca), South St. Louis (Lake, Cook, Carlton)
Utah	Emery (Carbon)
Washington	Skagit (San Juan, Island)
Wisconsin	Forest (Florence, Oneida, Villas) Marientte

PROGRAM INDICATORS

Mr. WHITTEN. Please provide for the record a table of program indicators for crop year 1985 and your estimate for crop years 1986 and 1987, similar to the table which appears on page 67 of last year's hearings.

[The information follows:]

FEDERAL CROP INSURANCE CORPORATION
Estimated Program Indicators

	CROP YEARS		EXISTING LEGISLATION
	1985 Estimated	1986 Estimated	1987 Estimated
Number of States	49	49	50
Number of Counties	3,012	3,012	3,012
Number of County Programs	18,892	19,053	19,200
Insurance in Force ($000)	7,160,000	8,379,800	9,809,800
Insured Acreage (000)	48,700	58,600	68,600
Potential Acreage (000)	276,500	276,500	276,500
Participation Rate	17.61%	21.19%	24.81%
NET-RISK PREMIUM ($000)			
Producer Premium			
Government Operations	90,368	56,440	6,515
Reinsurance Operations	246,597	319,826	427,804
Total, Prod Premium	336,965	376,266	434,319
Subsidy			
Government Operations	27,632	18,605	2,269
Reinsurance Operations	75,403	105,429	149,012
Total, Subsidy	103,035	124,034	151,281
Total Premium--Net Risk			
Government Operations	118,000	75,045	8,784
Reinsurance Operations	325,000	425,255	576,816
Total, Net-Risk Premium	443,000	500,300	585,600
Total Indemnities ($000)			
Government Operations	215,300	67,540	7,906
Reinsurance Operations	471,300	382,730	519,134
Total, Indemnities	686,600	450,270	527,040
Loss Ratio			
Government Operations	1.82	0.90	0.90
Reinsurance Operations	1.45	0.90	0.90
Combined Loss Ratio	1.55	0.90	0.90
Liability Per Acre	$147.02	$143.00	$143.00
Ratio of Insurance in Force to Net-Risk Premium	16.2	16.7	16.8
Net-Risk Premium Per Acre	$9.10	$8.54	$8.54
Delivery Mix			
Government	26.6%	15%	1.5%
Reinsurance	73.4%	85.0%	98.5%

NUMBER OF COLLATERAL ASSIGNMENTS

Mr. WHITTEN. Please provide for the record a table showing the number of collateral assignments in force in crop year 1985, by state, together with the number of policies, by state.

[The information follows:]

Statistics on Assignments of Indemnity - Collateral Assignments for Crop Year 1985

State	Code	Crops Listed on Assignments Processed	Assignment Forms Processed	Crop Policies in Force	Contracts in Force
Alabama	01	629	390	3,974	2,655
Alaska	02	0	0	45	38
Arizona	04	6	5	90	71
Arkansas	05	111	91	1,969	1,589
California	06	16	11	1,274	1,109
Colorado	08	24	16	1,848	1,486
Connecticut	09	0	0	76	73
Delaware	10	2	1	273	191
Florida	12	105	67	1,733	1,242
Georgia	13	1,100	554	6,801	4,065
Idaho	16	26	13	1,204	694
Illinois	17	683	406	9,255	4,915
Indiana	18	538	390	8,986	5,226
Iowa	19	280	193	9,191	5,214
Kansas	20	321	178	8,394	5,684
Kentucky	21	417	292	14,252	12,493
Louisiana	22	58	52	1,231	1,076
Maine	23	94	91	276	235
Maryland	24	1	1	107	76
Massachusetts	25	2	2	76	75
Michigan	26	2	1	32	20
Minnesota	27	849	360	21,780	10,000
Mississippi	28	181	162	2,288	1,989
Missouri	29	2,220	1,138	15,151	8,821
Montana	30	639	365	6,927	4,263
Nebraska	31	238	165	8,248	5,275
Nevada	32	0	0	5	5
New Hampshire	33	0	0	8	8
New Jersey	34	0	0	110	77
New Mexico	35	5	3	297	233
New York	36	3	2	100	93
North Carolina	37	1,319	997	17,163	13,907
North Dakota	38	1,978	861	22,725	11,496
Ohio	39	173	90	5,430	3,241
Oklahoma	40	107	90	2,572	2,145
Oregon	41	2	1	724	409
Pennsylvania	42	2	2	476	363
Rhode Island	44	0	0	11	11
South Carolina	45	389	293	3,727	2,673
South Dakota	46	49	26	4,193	2,327
Tennessee	47	14	8	5,935	5,621
Texas	48	236	175	6,256	4,909
Utah	49	0	0	91	81
Vermont	50	0	0	45	44
Virginia	51	301	184	7,154	5,904
Washington	53	26	22	1,098	866
West Virginia	54	0	0	85	76
Wisconsin	55	2	2	1,864	1,333
Wyoming	56	7	4	650	418
TOTAL		13,155	7,704	206,200	134,815

Source: FCIC LC015-1 Selected Collateral Master List, dated 3/21/86.
M1-P5-C3 1985 Final Participation Summary, dated 9/85.

RATIO OF LOSSES TO UNITS INSURED

Mr. WHITTEN. Please also provide for the record a table showing the ratio of losses FCIC & MPCI to units insured and average losses for fiscal years 1981 through 1985.

[The information follows:]

The following table provides requested information for FCIC and MPCI and a combined total of both. This information is retained by crop year and is not available on a fiscal year basis.

RATIO OF LOSSES TO UNITS INSURED AND AVERAGE LOSS

CROP YEAR	NO. OF UNITS INSURED	NO. OF UNIT LOSSES	RATIO OF UNITS INSURED TO LOSSES	TOTAL PAID	AVERAGE UNIT LOSS
1. FCIC (ONLY)					
1981	849,835	135,805	6.26	$397,974,042	$2,930
1982	674,595	124,734	5.41	458,086,755	3,673
1983	429,006	144,392	2.97	404,576,202	2,802
1984	381,953	91,491	4.17	256,158,252	2,800
1985	273,469	59,217	4.62	203,282,516	3,433

CROP YEAR	NO. OF UNITS INSURED	NO. OF UNIT LOSSES	RATIO OF UNITS INSURED TO LOSSES	TOTAL PAID	AVERAGE UNIT LOSS
2. REINS. (ONLY)					
1981	18,436	2,741	6.73	8,685,065	$3,169
1982	126,406	18,417	6.86	69,531,666	3,775
1983	212,912	54,181	3.93	175,673,275	3,242
1984	451,095	114,669	3.93	362,370,532	3,160
1985 1/	598,584	50,313	11.90	177,591,853	3,530

CROP YEAR	NO. OF UNITS INSURED	NO. OF UNIT LOSSES	RATIO OF UNITS INSURED TO LOSSES	TOTAL PAID	AVERAGE UNIT LOSS
3. BOTH (FCIC & REINS)					
1981	868,271	138,546	6.27	406,659,107	$2,935
1982	801,001	143,151	5.60	527,618,421	3,686
1983	641,918	198,573	3.23	580,249,477	2,922
1984	833,048	206,160	4.04	618,528,784	3,000
1985	872,053	109,530	7.96	380,874,369	3,477

CROP YEAR	NO. OF UNITS INSURED	NO. OF CONTRACT LOSSES	RATIO OF UNITS INS. TO CONTRACT LOSSES	TOTAL PAID	AVERAGE CONT. LOSS
4. REINS.(ONLY) 2/					
1981	18,436	1,997	9.23	$ 9,116,314	$4,565
1982	178,438	13,170	13.55	69,165,000	5,252
1983	214,559	30,506	7.03	177,063,000	5,804
1984	457,565	62,342	7.34	379,183,000	6,082
1985	598,584	58,166	10.29	450,169,000	7,739

1/ Number of units insured as of March, 1986. Number of unit losses and total paid losses as of January 31, 1986.

2/ Information on contract basis.

AVERAGE LIABILITY PER ENDORSEMENT

Mr. **Whitten**. What is the average liability per endorsement for each of the last ten years?

[The information follows:]

1976–85 AVERAGE LIABILITY PER ENDORSEMENT (POLICY) USING MPCI–FCIC COMBINED DATA

Crop year	Total liability	U.S. total number of policies		Average liability	
		In force	Earning premium	Per policy in force	Per policy earning premium
1975	$1,570,351,058	314,352	261,348	$4,996	$6,009
1976	1,982,115,325	329,123	273,944	6,022	7,235
1977	2,090,844,866	342,407	284,009	6,106	7,362
1978	1,992,417,207	317,314	253,831	6,279	7,849
1979	2,138,806,145	303,448	242,106	7,048	8,834
1980	3,029,379,790	324,493	268,191	9,336	11,296
1981	5,981,197,431	491,527	415,633	12,169	14,391
1982	6,131,080,328	479,691	384,977	12,781	15,926
1983	4,359,331,899	424,056	308,396	10,280	14,136
1984	6,629,335,506	487,314	385,759	13,604	17,185
1985 [1]	5,325,749,481	443,641	339,507	12,005	15,687

[1] 1985 data has not been finalized. Changes may occur as new data is received.

Data taken from the following:
Historical 2.4 as of 2/11/86, printed 3/13/86.
Historical 1.10 as of 2/10/86, printed 3/14/86.
Annual 1E.6 as of 1/28/86 and 2/12/86, printed 1/28/86 and 2/12/86.
Annual 1.5 as of 1/24/86, printed 1/29/86.

CAPITAL STOCK HISTORY

Mr. **Whitten**. Please provide for the record a history of the appropriations for subscriptions to capital stock from 1948 to the present, along with other authorities provided for increases in the capital stock.

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation

CAPITAL STOCK HISTORY

Pursuant to Section 504 of the Act, the Secretary of the Treasury held the following described receipts on the Federal Crop Insurance Corporation, evidencing subscriptions by the United States to capital stock of the Federal Crop Insurance Corporation.

Receipt Numbers	Date Corporation Receipt was Issued	Legislative Authority for Issued Capital Stock	Authorized	Issued
		(Corporation shall have capital stock as provided under (7 U.S.C. 1504(b)) subscribed by the United States of America)	$100,000,000	
1	July 1, 1938	Department of Agriculture Adjustment Act of 1939 approved June 16, 1938, PL 430, 75th Congress.		$ 20,000,000
2	August 16, 1940	Second Deficiency Appropriation Act of 1940 approved June 27, 1940 (54 Stat. 640).		20,000,000
3	July 13, 1945	First Deficiency Appropriation Act of 1945, approved April 25, 1945 (59 Stat. 77).		30,000,000
4	May 14, 1947	First Deficiency Appropriation Act of 1947, approved May 1, 1947.		20,000,000
5	August 27, 1947	Department of Agriculture Appropriation Act of 1948, approved July 30, 1947, PL 266, 80th Congress		10,000,000
		Total authorized capital stock subscribed and issued as of August 27, 1947.		$100,000,000
		Pursuant to Section 5 of PL 268, 81st Congress, approved August 25, 1949, the Treasury was authorized and directed to cancel, without consideration of outstanding receipts for payments for/or on account of the stock of the Corporation in excess of $27,000,000.		-73,000,000
		Balance subscribed capital stock		$ 27,000,000
6	December 13, 1956	Supplemental Appropriation Act of 1957, approved July 27, 1956, PL 814, 84th Congress		13,000,000

Receipt Numbers	Date Corporation Receipt was Issued	Legislative Authority for Issued Capital Stock	Authorized	Issued
7	January 6, 1970	Department of Agriculture and Related Agencies Appropriation Act of 1970, approved November 26, 1969, PL 91-127.		10,000,000
8	October 6, 1971	Agriculture-Environmental and Consumer Protection Act of 1972, approved August 10, 1971, PL 92-73.		10,000,000
9	November 18, 1976	Continuing Appropriations (Joint Resolution) for 1977, approved October 11, 1976, PL 94-473.		30,000,000
10	June 29, 1977	Supplemental Appropriation Act of 1977, PL 95-26, approved May 4, 1977.		10,000,000
		(PL 95-47 approved June 16, 1977, authorized the Amendment of Section 504(a) of the FCI Act to increase the total capital stock to $150,000,000)	50,000,000	
11	August 5, 1977	Supplemental Appropriation Act of 1977, PL 95-26 approved May 4, 1977, provided funds for the issuance of capital stock upon enactment into law of authorizing legislation which (PL 95-47 in above entry) provided for the remaining stock to be subscribed and issued.		50,000,000
		(PL 95-181 approved November 15, 1977, authorized the amendment of the FCI Act to increase the total capital stock to $200,000,000).	50,000,000	
12	March 15, 1978	Supplemental Appropriation Act of 1978, PL 95-240, approved March 7, 1978.		30,000,000
13	October 24, 1978	Supplemental Appropriation Act of 1978, PL 95-355 approved September 8, 1978.		20,000,000
		Capital Stock authorized and issued as of October 24, 1978.	$200,000,000	$200,000,000

Receipt Numbers	Date Corporation Receipt was Issued	Legislative Authority for Issued Capital Stock	Authorized	Issued
		Pursuant to PL 96-365, approved September 26, 1980, Section 504(d), directs the Secretary of the Treasury to cancel without consideration, receipts for payments for/or on account of the stock of FCIC outstanding on such date of enactment and such receipts shall cease to be liabilities of the Corporation.	-0-	-0-
		Section 504(a) of the FCI Act of 1980 provides authority for $500,000,000 to be appropriated in such sums as are necessary for the purpose of subscribing to the capital stock of the Corporation.	$500,000,000	-0-
1	March 5, 1982	Appropriation Act of 1982, PL 97-103 approved December 23, 1981, provided funds for the issuance of capital stock.		$250,000,000
2	December 18, 1982	Appropriation Act of 1983, PL 97-370 approved December 18, 1982, provided funds for the issuance of capital stock.		150,000,000
85-1	March 21, 1985	Appropriation Act of 1984, P.L. 98-396, approved August 22, 1984, provided funds for the issuance of capital stock.		50,000,000
None Issued		P.L. 99-88, approved August 15, 1985, provided funds for the issuance of the balance of the capital stock of the Corporation.		50,000,000
		Balance of capital stock authorized and unissued.		-0-

PERCENT OF ELIGIBLE ACRES

Mr. **Whitten**. Please update the table on page 74 in last year's hearings regarding the planted acres eligible for crop insurance.

[The information follows:]

PERCENT OF ELIGIBLE ACRES

Principal Crops	1985 Acres Eligible for FCIC (Thousands)	Eligible acres as a percentage of 1985 U.S. Planted	Percent of Eligible acres Insured
Barley	13,106	100.0%	27.9%
Dry Beans	1,453	92.2%	25.7%
Corn	83,348	100.0%	18.1%
Cotton	10,709	100.0%	17.8%
Flax	620	100.0%	17.9%
Grain Sorghum	18,285	100.0%	15.6%
Oats	13,270	100.0%	2.8%
Peanuts	1,492	100.0%	45.5%
Rice	2,522	100.0%	7.0%
Soybeans	62,357	98.8%	19.1%
Sugar Beets	1,125	100.0%	10.7%
Sugar Cane	637	88.5%	4.1%
Tobacco:			44.9%
Quota	265	100.0%	
Dollar	436	100.0%	
Wheat	75,575	100.0%	25.1%
TOTAL ABOVE CROPS	285,200	99.6%	19.8%

NOTE: Insurance is available on 100% of all disaster crops planted; however, for FCIC potential acreage purposes downward adjustments have been made on corn used for forage; grain sorghum used for silage or forage; small grain crops planted and used for cover crops, plow-down or grazing; and soybeans double cropped or used for hay. The results are as follows:

Principal Crops	1985 Acres Eligible for FCIC (Thousands)	Eligible acres as a percentage of 1985 U.S. Planted	Percent of Eligible acres Insured
Barley	11,708	89.3%	31.2%
Dry Beans	1,453	92.2%	25.7%
Corn	79,466	95.3%	18.9%
Cotton	10,709	100.0%	17.8%
Flax	620	100.0%	17.9%
Grein Sorghum	16974	92.8%	16.8%
Oats	8,661	65.3%	4.2%
Peanuts	1,492	100.0%	45.5%
Rica	1,492	100.0%	45.4%
Soybeans	62,357	98.8%	19.1%
Sugar Beets	1,125	100.0%	10.7%
Sugar Cane	637	88.5%	4.1%
Tobacco:			44.9%
Quota	265	100.0%	
Dollar	436	100.0%	
Wheat	68,326	90.4%	27.8%
REVISED TOTAL	266,751	93.2%	21.2%

CORPORATION'S CASH POSITION

Mr. **Whitten**. Please provide for the record a table showing the Corporation's cash position for the past 12 months, similar to the one provided on page 74 of last year's hearings.

[The information follows:]

FEDERAL CROP INSURANCE CORPORATION CASH POSITION

[In thousands of dollars]

Month	Beginning cash balance	Collections (+)	Losses (−)	Other expenses, net	Ending cash balance
February 28, 1985	75,822	16,026	52,719	7	39,122
March 31, 1985	39,122	60,966	66,107	14	33,967
April 30, 1985	33,967	11,189	25,351	162	19,643
May 31, 1985	19,643	7,705	16,351	36	10,961
June 30, 1985	10,961	4,236	12,340	−1	2,858
July 31, 1985	2,858	6,291	6,301	−3	2,851
August 31, 1985	2,851	135,772	49,233	1,698	87,692
September 30, 1985	87,692	22,812	66,704	19,317	24,483
October 31, 1985	24,483	167,198	81,724	−13,251	123,208
November 30, 1985	123,208	50,106	116,384	103	56,827
December 31, 1985	56,827	123,068	78,519	−2,006	103,382
January 31, 1986	103,382	31,449	119,068	427	15,336

PENDING APPLICATIONS FOR CROP INSURANCE

Mr. **Whitten**. Please provide an update of those qualified counties for which you have insurance applications pending.

Mr. **Sprague**. As of March 21, 1986, we have recorded requests for crop insurance for 133 crops in 387 counties and/or States. Not all requests identify a specific country.

A decision as to whether a country program is to be recommended is not made until we prepare our annual request to the Board of Directors. Thus, we are unable to determine whether a pending request identifies a qualified country within the meaning of the Federal Crop Insurance Act of 1980.

UPDATE OF STATISTICAL TABLES

Mr. **Whitten**. Please provide an update of the tables appearing on pages 80, 81, and 82 of last year's hearing record regarding average participation rates, percentages of zero acreage reports, and write-off of bad debts.

[The information follows:]

AVERAGE PARTICIPATION RATE

Crop	1985 CROP YEAR (in 000 acres) Potential	Net Insured	Percent Insured
ALMONDS	323	52	16.1%
APPLES	209	16	7.7%
BARLEY	11,708	3,114	26.6%
CRANBERRIES	24	1	4.2%
BEANS	1,453	316	21.7%
CITRUS	1,375	60	4.4%
CITRUS TREES	65	10	15.4%
COMBINED CROP 1/	0	139	
CORN	79,466	12,191	15.3%
COTTON	10,625	1,391	13.1%
COTTON ELS	84	3	3.6%
DRY PEAS	309	27	8.7%
FLAX	620	94	15.2%
FORAGE PRODUCTION	400	1	0.3%
FORAGE SEEDING	320	2	0.6%
GRAIN SORGHUM	16,974	2,253	13.3%
GRAPES	684	51	7.5%
GRAPES, TABLE	68	14	20.6%
GREEN PEAS	476	55	11.6%
HYBRID SEED 2/	0	372	
OATS	8,661	333	3.8%
PEACHES	67	32	47.8%
PEANUTS	1,492	629	42.2%
PEPPER	8	3	37.5%
POPCORN	94	37	39.4%
POTATOES	1,296	107	8.3%
PREVENTED PLANTING 3/	0	1	
RAISINS 4/	0	273	
RICE	2,522	144	5.7%
RYE	306	4	1.3%
S CORN FRSH MKT 5/	0	6	
SOYBEANS	62,357	9,686	15.5%
SUGAR BEETS	1,125	112	10.0%
SUGARCANE	637	26	4.1%
SUNFLOWERS	3,055	804	26.3%
SWEET CORN	252	25	9.9%
TOBACCO	701	276	39.4%
TOMATOES FRESH	16	11	68.8%
TOMATOES PROCESSED	266	58	21.8%
WALNUTS	138	3	2.2%
WHEAT	68,326	15,947	23.3%
U. S. TOTAL	276,502	48,681	17.6%
FCIC ADJUSTED 6/	265,470	48,681	18.3%

1/ Potential acreage is included in the specific crops covered under the combined crop policy.
2/ Potential acreage is included in the acreage for corn.
3/ Potential acreage is included in the specific crops covered under the specific crops grown in those areas.
4/ Potential acreage is included under grapes.
5/ Potential acreage is included in the acreage for sweet corn.
6/ Less 11,032 ac. (Small farms - less than $10,000 gross sales).
FCIC data as of 03-11-86 (FCIC-1n140-2) INDEMNITY ESTIMATE.
MPCI data as of 03-20-86 M84073.29 CROP SUMMARY.

PERCENT ZERO ACREAGE REPORTS

CROP	1981 a/	1982 a/	1983 a/	1984 a/	1985 a/
Almonds	0	0	1	13	5
Apples	1	3	6	10	8
Barley	36	40	37	36	30
Beans	12	25	57	52	48
Citrus Tree (TX)	8	0	1	55	83
Citrus	0	7	0	49	40
Combined Crop	13	11	13	74	16
Corn	11	17	30	36	29
Cotton	15	20	20	36	38
Cotton, ELS	b/	b/	b/	b/	11
Flax	65	68	74	71	71
Forage Production	16	10	31	21	30
Forage Seeding	40	38	56	55	67
Fresh Tomato	b/	b/	b/	31	35
Grain Sorghum	21	37	49	45	48
Grapes	1	6	6	32	23
Hybrid Seed	0	0	1	7	10
Oats	31	39	52	52	55
Peaches	6	4	11	4	7
Peanuts	7	15	19	23	27
Peas	51	55	59	69	63
Peppers	b/	b/	b/	50	74
Popcorn	b/	b/	b/	25	41
Potatoes	15	24	11	15	20
Prevented Planting	0	2	18	51	31
Raisins	18	10	8	8	50
Rice	12	23	32	56	59
Rye	84	29	48	48	71
Soybeans	13	17	26	29	36
Sugar Beets	16	30	34	42	38
Sugarcane	8	12	23	50	55
Sunflowers	34	37	53	50	57
Sweet Corn	27	27	33	38	41
Sweet Corn, Fresh	b/	b/	b/	b/	0
Table Grapes	b/	b/	b/	67	21
Tobacco	15	18	23	25	33
Tomatoes	33	20	37	47	32
Walnuts	b/	b/	b/	8	9
Wheat	13	20	28	28	33
TOTALS	16	21	30	33	35

a/ Excludes reinsurance operations.

b/ Designates new crops, no previous data.

WRITEOFFS OF BAD DEBTS

The following is a tabulation of writeoffs of bad debts for crop year 1967 through 1984:

Crop Year	Amount	Ratio of Writeoffs to Total Premium
1967	178,823.78	.0041
1966	247,527.78	.0051
1969	281,776.96	.0056
1970	215,965.70	.0049
1971	220,491.34	.0046
1972	170,224.33	.0040
1973	216,119.24	.0045
1974	249,923.42	.0046
1975	404,619.61	.0055
1976	393,362.41	.0043
1977	348,734.92	.0034
1978	440,379.45	.0047
1979	765,885.99	.0074
1980	385,786.64	.0024
1981	1,779,025.47	.0056
1982	1,107,429.30	.0045
1983	195,743.66	.0014
1984	179,491.13	.0013

NOTE: The Corporation follows the practice of writing off as administratively uncollectible all accounts receivable remaining unpaid after five years.

TOTAL FEDERAL COST AND EXPOSURE

Mr. WHITTEN. Please provide for the record a table showing the total Federal cost and exposure for each of the last 10 years and your estimates for 1986 and 1987.

[The information follows:]

TOTAL FEDERAL COST AND EXPOSURE

[Dollars in thousands]

Year	Administration operating expenses	Net FCIC fund cost	Total Federal cost	Amount of insurance protection	Percent of cost to insurance protection
1975	21,119	18,331	39,450	1,570,493	2.5
1976 (including transition quarter)	29,031	5,309	34,340	1,992,115	1.7
1977	25,925	78,902	104,827	2,090,845	5.0
1978	28,909	46,154	75,063	1,996,841	3.8
1979	30,283	−19,589	10,694	2,138,806	0.5
1980	37,544	26,364	63,908	3,018,320	2.1
1981	91,951	[1] −40,815	51,136	5,982,444	0.9
1982	137,201	103,610	240,811	6,139,390	3.9
1983	131,305	233,418	364,723	4,369,328	8.3
1984	177,604	449,141	626,745	6,656,133	9.4
1985	199,608	301,926	501,534	7,160,000	7.0
1986 (estimate)	209,608	343,262	552,870	8,379,800	6.6
1987 (estimate)	239,885	134,000	373,885	9,809,800	3.8

Note: Minus (−) represents net income.

[1] Does not include $250 million in indemnities paid by the one-time use of CCC Funds.

STAFF YEARS

Mr. WHITTEN. Please provide a table showing FCIC staff-year ceiling, ceiling and noncelling employees, and actual end-of-year employment for the past five years.

[The information follows:]

FCIC EMPLOYMENT DATA

Fiscal year	Staff year ceiling	Staff years used	Number of Employees[1] Year end
1981	1,526	1,510	1,997
1982	1,600	1,624	1,943
1983	1,599	1,418	1,498
1984	1,587	1,314	1,450
1985	1,200	1,196	1,199
1986 (estimate)	1,100	1,098	1,200

[1] Since 1981, under the use of the Full Time Equivalency method of staff year tracking and ceiling allocation, all employees are subject to the ceiling allocation of the agency, therefore there is no breakdown of "ceiling and Non-ceiling" employees in this count.

GAO REPORT

Mr. WHITTEN. GAO report RCED–84–65 indicated that "FCIC did not give appropriate attention to ensure that its insurance was actuarially sound, did not carefully evaluate its actions involving the private sector, nor make a detailed cost study when it established compensation rates for the private sector companies' sales and service activities. . . . Allowed annual revisions to the standard reinsurance agreement have resulted in increased costs and risks to FCIC." The Committee believes these to be serious findings. As of February there were 7 open recommendations remaining between the Department and GAO. Please describe in detail each remaining recommendation and your plan to close out the GAO report.

Mr. SPRAGUE. All seven recommendations required to be described in detail were forwarded to OIG, GAO, Room 413-E, Audit Bldg., Elizabeth Kochendorfer, on September 10, 1985. We will provide for the record a copy of FCIC's responses to the seven recommendations.

We are advised by Ms. Kochendorfer that FCIC's response appeared to clear all recommendations except that which dealt with a planned evaluation to assess the cost effectiveness of the reinsurance agreement and to suggest any necessary modifications. This evaluation is scheduled for completion by the 2nd Quarter of 1986, and our response would be submitted at that time.

[The information follows:]

Office of the
Assistant Manager
for Administration

Washington, D.C.
20250

SEP 10 1985

TO Elizabeth Kochendorfer
OIC, GAO, Room 413-E, Audit Bldg.

THROUGH: Bob Andros
Room 1364-South Bldg.

FROM : Assistant Manager for Administration

SUBJECT: GAO Final Report RCED-84-65, Dated March 14, 1984, Entitled "More Attention Needed In Key Areas Of The Expanded Crop Insurance Program"

Attached is the Federal Crop Insurance Corporation's update to the above-mentioned report.

Michael A. Bronson

MICHAEL A. BRONSON

Attachment

cc:
D. Moslak
P. Cole
R. Brammer
M. Bronson
M. W. Sprague
F. W. Naylor, Jr.
FCIC/Bronson/jma/0342a, Pge. 4/9-9-85

GAO FINAL REPORT RCED-84-65, DATED MARCH 14, 1984, ENTITLED "MORE ATTENTION NEEDED IN KEY AREAS OF THE EXPANDED CROP INSURANCE PROGRAM"

General Comments

The following updates are in response to the GAO Final Report RCED-84-65, dated March 14, 1984, entitled "More Attention Needed in Key Areas of the Expanded Crop Insurance Program." The first set of responses is for those questions pertaining to the Actuarial Division and reflect progress made since March 14.

GAO Recommendation

"Moderate any further expansion so that it will not detract from the Actuarial Division's ability to update the crop insurance offers."

FCIC Response

The expansion for the 1986 crop year is limited to 131 county programs. The only new crops added will be canning peaches and prunes.

Requests for new programs (new counties and new crops) continue to exceed our ability to provide coverage. The biggest constraint on our ability to service expansion requests is modern analytical computer based systems for developing needed actuarial data.

GAO Recommendation

"Correct any inaccuracies that may be found in FCIC's recently established county insurance offers and, if necessary, correct its older county insurance offers that may be inappropriate in light of the increased risk that may be associated with implementing the legislative requirements for higher coverages."

FCIC Response

Actual production history (APH) continues to be phased in according to the Corporation's plans. As crops are converted from area plans to APD, rates are reviewed according to the mathematically rigorous approach suggested by our actuarial consultants and revised accordingly. An automated system, drawing from an actuarial data base, is being developed to support the rate making functions. The continued implementation of APH is expected to remedy the inaccuracies under the older area plans and provide producers with coverages corresponding to their actual production, at rates that mathematically reflect the risk.

GAO Recommendation

"Give increased attention to completing actuarial reports depicting crop years 1980 and 1981 insurance experiences in order that the review and updating of FCIC's crop insurance program might be expedited."

FCIC Response

1980 and 1981 insurance experiences have been incorporated into the actuarial reports and are being used as rates are updated.

GAO Recommendation

"Consider the potential for obtaining actual crop yield data and using such data to establish homogeneous risk groups and the proper relationships among each group's yields and risk rates."

FCIC Response

The actual production history (APH) program is collecting actual yield data on an individual producer basis. The Actuarial Division is planning analytical approaches for utilizing this data as collected to best reflect a mathematically supportable relationship of yields and risk rates. The implementation of APH programs requires the use of rates by yield spans. A mathematical model based upon actuarial consultants' recommendations is used to establish rates for those crops converted to APH. This model will be reviewed and modified as necessary to maintain an equilibrium between yields, rates, and risks.

General Comments

The following updates are in response to the GAO Final Report RCED-84-65, dated March 14, 1984, entitled "More Attention Needed in Key Areas of the Expanded Crop Insurance Program." The responses in particular are for those questions pertaining to the Reinsurance Division and reflect progress made since March 14.

GAO Recommendation

"Evaluate the rates established for compensating the private sector in relation to the current, and/or expected, premium base and the private sector's costs to provide such services. The rate structure should, if warranted, be adjusted to provide reasonable compensation to the private sector for its services and, at the same time, be cost-effective to the Federal government."

FCIC Response

As a result of the evaluation of the expense reimbursement schedule, a change was made for the 1986 Standard Reinsurance Agreement. The variable reimbursement for loss adjustment expense related to loss ratio was dicontinued, and a reimbursement of 30% of net book premium on all policies reinsured under the agreement was established. In addition, FCIC will reimburse the reinsured company for premium taxes paid to any state for policies reimbursed, limited to the state tax rate for hail and fire crop insurance.

GAO Recommendation

"Moderate further expansion of the reinsurance program until the operation of the current program can be evaluated to assure that it is cost-effective for both the government and the insurance companies."

FCIC Response

FCIC has planned an evaluation, scheduled for completion by the 2nd Quarter of FY '86, to assess the cost effectiveness, the reinsurance agreement and suggest any necessary modifications. However, the 1986 Reinsurance Agreement requires greater economic commitment from companies entering into the Agreement. The changes in the gain/loss formula give the companies greater exposure and is expected to moderate further expansion of the reinsurance program.

GAO Recommendation

"Tailor the reinsurance agreements to each company's area of operation and base the gain and loss formula on the loss experience for the geographic area in which the company operates."

FCIC Response

A quota share provision was established in the 1986 Standard Reinsurance Agreement whereby all companies are required to cede 5% of their liability for ultimate net losses to FCIC in exchange for 5% of the net book premium on the same policies. This cession will constitute the quota share pool from which a company with localized writings may exchange a portion of their portfolio with that available in the pool. The amount of this exchange is dependent upon the concentration of the company's book of business on a state basis. This will serve to moderate the effects of localized adverse experience by adjusting to a national experience that portion which was exchanged.

REALIGNMENT

Mr. WHITTEN. Please describe in detail the recently announced realignment for FCIC. Will there be any RIF's from the change in operations?

[The information follows:]

FCIC REORGANIZATION AS ANNOUNCED MARCH 1986

Federal Crop Insurance Corporation (FCIC) management is moving ahead to implement the provisions of the reorganization proposal announced last August and submitted to the Department of Agriculture for approval last September.

This reorganization is taking place to enhance operational management, bring resource levels in line with workload requirements, and improve the overall efficiency of our operation. The reorganization contemplates no reductions-in-force.

Major features of the reorganization include the following:

o OFFICE OF PROGRAM MANAGEMENT AND COMPLIANCE. This new office, consolidating the functions of the current Reinsurance and Marketing Divisions as well as the new Compliance Division, will be headquartered in Washington, D.C., and report directly to the Office of the Manager. It will be headed by an Assistant Manager.

The office will be divided into two divisions: Program Management, which will include Marketing and Contract Administration Branches, and Compliance.

This consolidation will promote better management of the functions since they are closely interrelated. Additionally, there is no longer any logical reason to separate the Reinsurance from the Master Marketing functions, since they will be accomplished by the same personnel and about 90 percent of the premium business is already written by companies that have both MMA and MPCI affiliations.

The establishment and staffing of the Compliance Division will be accelerated. Plans call for the eventual establishment of six Compliance field offices in cities where FCIC currently has offices. Every effort will be made to open at least two field centers in the near future to handle the growing volume of field compliance activity.

o OFFICE OF ACTUARIAL AND UNDERWRITTING SERVICES. This office, also headed by an Assistant Manager, will combine the functions of the current Actuarial and Program Divisions, and involve a major restructuring both of this office in rate and coverage policy. Additionally, the actuarial science function will be distinguished from the underwriting, or risk assessment, function, as it is in most traditional insurance companies.

This Office will be divided into four divisions: Actuarial Services, Actuarial Statistics, Product Control and Underwriting Standards which will absorb the functions of the current Program Division, and Field Underwriting

Additionally, six current Field Actuarial Offices (FAO's) Davis, Jackson, Raleigh, St. Paul, Springfield, and Topeka, will be upgraded to Field Underwriting Offices (FUO's), which will be distinguished from the remaining five FAO's by the level of their analytical capability. The subordinate FAO's will perform the actual risk assessment functions for their part of the total region.

The Office of Actuarial and Underwriting Services will report directly to the Office of the Manager, but will be headquartered in Kansas City for the foreseeable future.

- PROGRAM PLANNING, EVALUATION AND APPEALS DIVISION. This new division, reporting directly to the Office of the Manager in Washington, D.C., will combine the functions of the current Strategic Planning and Evaluation Division plus the administrative appeals procedure. Under this set-up, the planning and evaluation functions will assume a higher corporate visibility by removing an intervening layer of supervision, and the appeals function will for the first time be codified into the official corporate structure.

- INFORMATION AND GOVENMENTAL AFFAIRS DIVISION. This is a change in name only for the current Congressional and Public Affairs Division, but is being made to better describe the new emphasis on increasing the level and quality of all communications activity. Included in this focus on communications is the already completed transfer of Correspondence Control to the newly-named unit to better coordinate official Corporate responses to all written inquiries.

- PROCEDURAL REVIEW AND ISSUANCE. This function, formerly located in the Program Division, will be transferred to the Office of the Director of Operations in Kansas City, Missouri. The issuance and concurrence process of all procedural notices under the Director of Operations is intended to give greater emphasis to substantive review in the concurrence process.

- TRAINING. A new training unit, reporting to the Director of Operations in Kansas City, Missouri, has been proposed and approved in concept. Although this was not part of the reorganization package that was submitted to the Department for approval, it will have an effect on KCO employees and is, therefore, included in this Reorganization discussion.

  This new unit will have responsibility for FCIC training activities such as ACT, APH and Loss Adjustment training, plus specific training needs that relate directly to FCIC employees. Additionally, this training unit would be staffed by training professionals and would handle any future training needs that may arise.

Attached are the FCIC organizational charts before and after the reorganization.

FIGURE 5

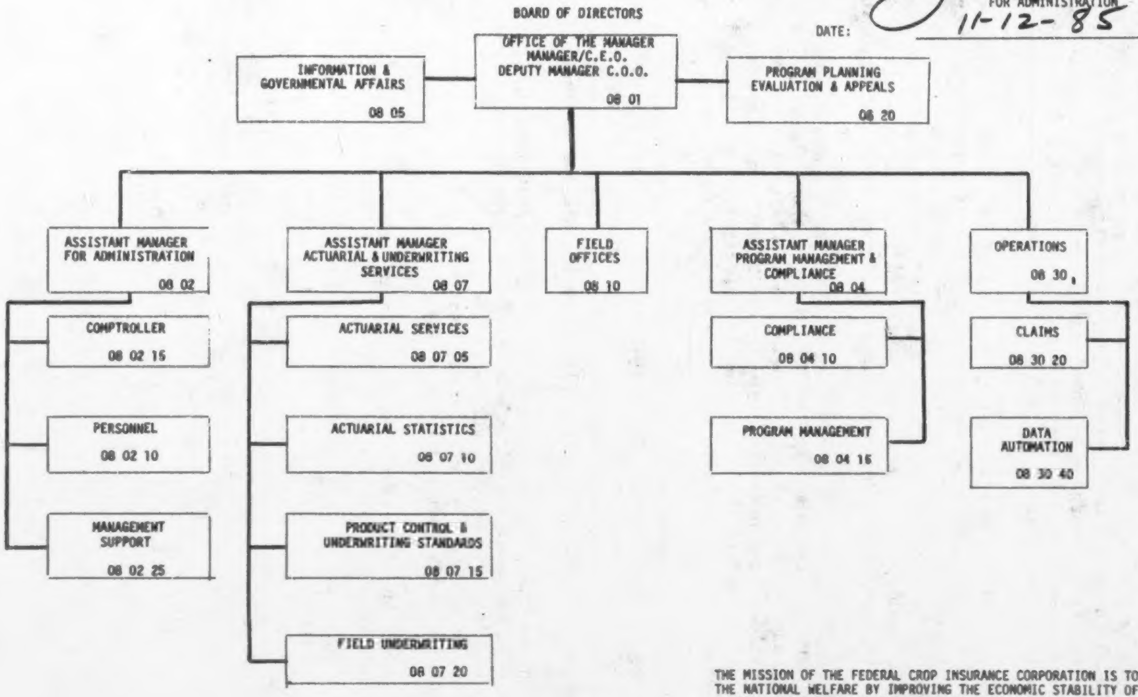
UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION

RECOMMENDED: Merritt W.
MANAGER
FEDERAL CROP INSURANCE CORPORATION

CONCURRED:
UNDER SECRETARY FOR
SMALL COMMUNITY AND RURAL DEVELOPMENT

APPROVED BY:
ASSISTANT SECRETARY
FOR ADMINISTRATION

DATE: 11-12-85


BOARD OF DIRECTORS
OFFICE OF THE MANAGER MANAGER/C.E.O. DEPUTY MANAGER C.O.O. 08 01
INFORMATION & GOVERNMENTAL AFFAIRS 08 05
PROGRAM PLANNING EVALUATION & APPEALS 08 20
ASSISTANT MANAGER FOR ADMINISTRATION 08 02
COMPTROLLER 08 02 15
PERSONNEL 08 02 10
MANAGEMENT SUPPORT 08 02 25
ASSISTANT MANAGER ACTUARIAL & UNDERWRITING SERVICES 08 07
ACTUARIAL SERVICES 08 07 05
ACTUARIAL STATISTICS 08 07 10
PRODUCT CONTROL & UNDERWRITING STANDARDS 08 07 15
FIELD UNDERWRITING 08 07 20
FIELD OFFICES 08 10
ASSISTANT MANAGER PROGRAM MANAGEMENT & COMPLIANCE 08 04
COMPLIANCE 08 04 10
PROGRAM MANAGEMENT 08 04 16
OPERATIONS 08 30
CLAIMS 08 30 20
DATA AUTOMATION 08 30 40

THE MISSION OF THE FEDERAL CROP INSURANCE CORPORATION IS TO PROMOTE THE NATIONAL WELFARE BY IMPROVING THE ECONOMIC STABILITY OF AGRICULTURE THROUGH A SOUND SYSTEM OF CROP INSURANCE, AND TO PROVIDE MEANS FOR THE RESEARCH AND EXPERIENCE HELPFUL IN DEVISING AND ESTABLISHING SUCH INSURANCE.

THIS CHART SUPERSEDES FCIC CHART DATED MAY 21, 1984.

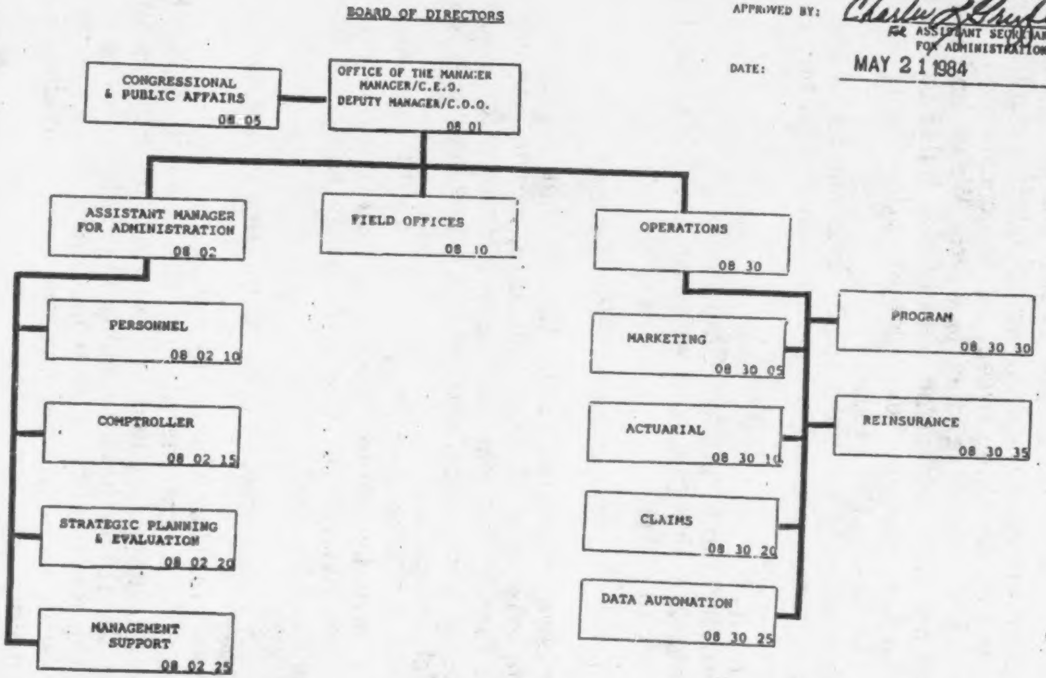
UNITED STATES DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION

RECOMMENDED: MANAGER
FEDERAL CROP INSURANCE CORPORATION

CONCURRED: UNDER SECRETARY FOR
SMALL COMMUNITY AND RURAL DEVELOPM

APPROVED BY: FOR ASSISTANT SECRETARY
FOR ADMINISTRATION

DATE: MAY 21 1984


BOARD OF DIRECTORS
CONGRESSIONAL & PUBLIC AFFAIRS 08 05
OFFICE OF THE MANAGER MANAGER/C.E.O. DEPUTY MANAGER/C.O.O. 08 01
ASSISTANT MANAGER FOR ADMINISTRATION 08 02
FIELD OFFICES 08 10
OPERATIONS 08 30
PERSONNEL 08 02 10
COMPTROLLER 08 02 15
STRATEGIC PLANNING & EVALUATION 08 02 20
MANAGEMENT SUPPORT 08 02 25
MARKETING 08 30 05
ACTUARIAL 08 30 10
CLAIMS 08 30 20
DATA AUTOMATION 08 30 25
PROGRAM 08 30 30
REINSURANCE 08 30 35

THE MISSION OF THE FEDERAL CROP INSURANCE CORPORATION IS TO PROMOTE THE NATIONAL WELFARE BY IMPROVING THE ECONOMIC STABILITY OF AGRICULTURE THROUGH A SOUND SYSTEM OF CROP INSURANCE, AND TO PROVIDE MEANS FOR THE RESEARCH AND EXPERIENCE HELPFUL IN DEVISING AND ESTABLISHING SUCH INSURANCE.

THIS CHART SUPERSEDES FCIC CHART DATE DECEMBER 5, 1983

Mr. **Whitten**. I don't have any further questions at the present time. But it strikes me your proposal is just another step in a direction that experience has taught us will not work. But you want to take the limit off what the CCC can spend. It looks like the Administration will do anything except let the consumer of agricultural products pay what the product is worth. We've had industry and labor pass on their increasing take of the dollar to the consumer. But the farmer, who for years got his price from the buyer, you want him to look to the Treasury.

The farm subsidy we have today does not go to the farmer, it goes to the person who buys from him, so he can buy it below the cost of production.

Mrs. Smith.

Mrs. **Smith**. Thank you, Mr. Chairman.

Welcome, Mr. Sprague, and welcome back, Mr. Naylor, Mr. Dewhurst and all of you.

EXPANSION OF CROP INSURANCE

I have been interested in the figures that you have been giving about the expansion of crop insurance, and let me say that I am part of a family that has used crop insurance for years. It's very, very popular in my area, and I think it has been a great help to us out in Nebraska.

You told about program expansion. Could you comment about what you have done to improve crop insurance for both the farmer and for the taxpayer in the three years that you have been in charge of the program?

CHANGES IN CROP INSURANCE PROGRAM

Mr. **Sprague**. Thank you very much, Mrs. Smith.

In regard to program expansion, of course, there has been major expansion in new crops and in new areas for existing lines of business, but the thing that's probably made the greatest single difference in the desirability of crop insurance from the perspective of farmers is the move to base coverage upon individual farmers' production history.

This production-based guarantee program that we are now offering on a widespread basis is widely accepted by farmers. It allows us to make an attractive insurance offer to literally every farmer across this country if he is in a position to provide records, and even if he is not, in most cases.

The dynamics of the marketplace are determining today who markets crop insurance, when you look at the delivery systems.

We see that in many respects a great deal of progress has been made toward providing the kind of insurance product that people need and providing at the same time a delivery system that can get the job done efficiently and effectively.

CROP INSURANCE MOVING TOWARD PRIVATIZATION

Mrs. **Smith**. Well, that is a very interesting report. I see that you are a firm believer in moving toward privatization. Let me ask you, do you think that this push toward privatization is consistent with the Crop Insurance Act passed in 1980?

Mr. SPRAGUE. As I read the 1980 act, we were given a clear mandate to use the private insurance industry to the maximum extent possible. This current program is really only four years old, and perhaps even less in respect to the delivery system, as well as some of the program itself.

The changes that have occurred during that period of time, the things that have happened, demonstrate clearly in my judgment that the private insurance industry has the capacity and the capability and the willingness to deliver this program very effectively and very efficiently.

Sure, there have been some problems in the course of administering the program, but much progress has been made toward fulfilling the mandate of that 1980 act which said use them to the maximum extent practicable, use their ingenuity, use their expertise.

Mrs. SMITH. Do you think that moving toward privatization could cause a return of disaster programs?

Mr. SPRAGUE. Frankly, most farmers are choosing today to buy crop insurance from the same carrier or the same agent that provides the rest of their insurance. The dynamics of the marketplace are such that I do not believe a further move toward privatization would do anything but accelerate the growth of this program, the growth of its usage by farmers, as a generally accepted business practice.

POSSIBILITY OF CROP INSURANCE BECOMING MANDATORY

Mrs. SMITH. Do you think that making crop insurance mandatory for people who are participating in the farm program is necessary to increase the participation levels at this time?

Mr. SPRAGUE. Mrs. Smith, I do not. I know there are those who would advocate such an approach, but I believe crop insurance should be freely chosen by the user. I believe it should make sense for his operation, I believe that he ought to have the capability to say no if it does not fit his needs.

EXTENDED DEADLINE FOR REVISING WHEAT ACRES

Mrs. SMITH. Now just one last question, and Mr. Sprague, I hope you can give me a good answer that will satisfy my wheat producers that are going to be meeting with me in my office at 3:30. What they want to know is what are you doing to allow people who presently have crop insurance to have an extended deadline for revising wheat acres to fit in with farm program requirements?

Mr. SPRAGUE. As you are aware, Mrs. Smith, we did permit and have allowed in the course of the last two weeks wheat producers, winter wheat producers, to file amended acreage reports which reflect their current intentions to plant for harvest.

Some of those intentions have changed as a result of the offering of the 1986 farm program. Some of the rules are still not out there, unfortunately——

Mrs. SMITH. That's what they told me this morning. They don't have the answer yet.

Mr. Sprague. And we are reviewing whether or not our established final reporting date of March the 21st should stand or not. There are some great risks to extending that date. The later the date, the greater the adverse selection against the Federal Crop Insurance Corporation, the greater the risk that our resulting loss ratios will exceed our hopes and expectations. But we are reviewing the subject you raised even today, and I expect to announce before the end of the week a decision relative to this issue.

Mrs. Smith. That's good. You'll announce it before the end of this week. That is very helpful to our wheat producers.

CROP INSURANCE IMPROVEMENTS

Mrs. Smith. Our chairman has raised a number of problems associated with Crop Insurance. What have you done in your three-year tenure as FCIC manager to improve crop insurance for both the farmer and the taxpayer?

Mr. Sprague. We will provide for the record some major improvements made in the crop insurance during my tenure as FCIC Manager.

[The information follows:]

a. Assured universal availability of crop insurance and continued expansion into new crops and additional crop programs. Crop insurance is available on 42 crops in 49 states, 3,012 counties and 19,028 crop programs nationwide. This covers all major agricultural crops and many specialty crops where grown commercially. Since 1980, expansion has included additions of 13 crops, 10 states, 1,337 counties, and 14,399 crop programs. Expansion will continue as resources permit and adequate actuarial data is available. The following table reflects the number of insurance counties and crop programs for 1979–1986:

NUMBER OF INSURANCE COUNTIES AND CROP PROGRAMS 1979–86

	1979	1980	1981	1982	1983	1984	1985	1986
States	39	39	39	49	49	49	49	49
Counties	1,526	1,676	1,928	2,999	3,000	3,010	3,012	3,013
Crops	29	29	30	30	33	38	40	42
Crop Programs	4,063	4,629	5,969	14,498	15,415	17,868	18,892	19,053

Insurance Crops for 1986

Almonds
Apples
Barley
Citrus
Citrus Tree
Combined Crop
Corn
Cotton
Cotton, ELS
Dry Beans
Dry Peas
Flax
Forage Production
Forage Seeding
Fresh Sweet Corn
Fresh Tomatoes
Grain Sorghum
Grapes
Green Peas
Hybrid Seed
Oats
Peaches (Canning & Processing)
Peanuts
Peppers
Popcorn
Potatoes
Prevented Planting
Prunes
Raisins
Rice
Rye
Soybeans
Sugar Beets
Sugarcane
Sunflowers
Sweet Corn
Table Grapes
Tobacco
Tomatoes
Walnuts
Wheat

Note: Multiperil Crop Insurance is available from private insurers for:

(1) *Cranberries* in Massachusetts, New Jersey, Rhode Island, Oregon, Washington, Michigan, and Wisconsin.

(2) *Nursery Stock* in all states.

b. Implemented an adequate and equitable rate structure through the use of current actuarial techniques and a computerized system of rate development. This was basically the result of recommendations made by an outside actuarial consultant after a comprehensive study of past methods had been conducted and it was determined the old methods were outdated and inequitable.

c. Designed, developed and implemented the Actual Production History, (APH) program for individualized coverage to more accurately reflect yields produced and recognize individual management capabilities. (1984—cotton and rice; 1985—corn, grain sorghum, peanuts and tobacco; 1986—all remaining crops). A move from the old area plan was necessary. We had often been criticized for the use of the area plan. Producers said it was too general and analysis indicated it pointed to adverse selectivity as well as being geared to the lower or marginal producing areas.

d. Increased dollar amount of protection to U.S. farmers and actual acres insured. Increased premium income and participation. Federal Crop Insurance has increased the total dollar amount of coverage (its total liability) each year since 1978 except for the 1983 crop year when the USDA-ASCS Payment in Kind (PIK) program, Acreage Reduction Program (ARP), and Cash Land Diversion (CLD) programs removed a total of 78 million acres from crop production. The dollar protection provided to U.S. farmers increased from $2 billion in CY 78 to over $7 billion in CY 85. A $5 billion or 250% increase was realized in 7 years. The annual growth rate averaged 23%.

The trend is nearly the same in the actual acres insured. Acres insured has increased from 21.4 million acres in CY 79 to 58.9 million acres in CY 85, a 126% increase. the PIK program in the 83 crop year reduced the number of potential acres insurable from CY 82 by 32%, acres insured again increased in CY 84 by 11.5% over the CY 82 acres and 64% over CY 83. The annual growth rate averaged 15%.

Premiums have fluctuated substantially in both directions; primarily due to changes in the crop insurance program, premium adjustments, trends in producer level selections and price elections. However, the overall trend has been an increase of premium from approximately $103 million in CY 78 to an anticipated $440 million in CY 85, a 327% increase since CY 78. The annual growth rate averaged 27%. Most private companies would welcome business volumes that show that type of growth rate.

We recognize five major factors that have had a limiting effect on the growth rate during this period. The last two factors lie directly within FCIC's control and provide the most potential for increasing crop insurance protection.

1. There will always be that contingent of producers who will bear the risk themselves and reject any assistance offered by any official agency. Producers of this nature are often hard to identify and would result in the least increase in participation in any sales effort.

2. Until 1984, disaster programs were considered by producers as a "no cost" alternative to the premium charged for crop insurance. Congress' support of the "shared risk-shared cost" concept of crop insurance over disaster programs, along with the increased requirement by farm lenders for crop insurance, will provide impetus to the continued growth of crop insurance.

3. The deteriorating financial condition of family sized commercial farms, with over ⅓ of those farms facing financial problems ranging from difficulty in servicing debts to technical insolvency, has had both a negative and a positive effect on crop insurance. Producers on the edge of insolvency will often maintain that crop insurance is too expensive at any price. On the other hand, producers with only marginal cash flow are beginning to find more agricultural lenders requiring corn insurance as collateral for loans.

4. FCIC guarantees have not been accepted as commensurate with the yields as perceived by producers. The Actual Production History (APH) program will permit producers to receive coverage commensurate with their individual proven production.

5. The recent "Listening Sessions" sponsored by FCIC in twelve rural cities nationwide, brought to light one of the most serious impediments to more rapid growth of crop insurance—lack of product knowledge. FCIC is attacking the apparent lack of up-to-date knowledge by some agents through more intensive training activities. In an effort to better educate producers on the nature of crop insurance as a risk management tool rather than an income protection device, FCIC continues to make presentations at major farm events and has produced and distributed over 375,000 copies of a clear, simple to understand brochure explaining crop insurance.

This brochure was also a major insert in a leading farm magazine covering most banker and lending institutions.

FCIC is utilizing the USDA Extension Service, County Agent System, Farmers Home Administration, Future Farmers of America organization, lending institutions, state legislatures, the private sector, commodity groups and others to get the crop insurance message across.

e. Established a solid working relationship with the USDA Cooperative Extension Service including establishment of the ES–FCIC Advisory Council Committee to carry out research, analyses and develop recommendations on major issues, i.e., premium discounts, premium adjustments, unit determination, risk-management, etc. They risk management programs:

1. ARCIE—An All Risk Crop Insurance Evaluation Program that can be used by agents and producers to help the producer select the proper coverages and price elections tailored to their operations and cash flow analysis.

2. ARMS—An Automated Risk Management System for producers featuring many risk management tools that can be used in farming operations. This program includes farm programs, insurance data, hedging and forward contracting and other risk management options.

In addition to the risk management programs they are informing the farming community through their adult educational programs and the Vocational Agricultural programs about the options available for crop insurance.

f. Maintained and encouraged a partnership with the private sector for the FCIC delivery system. This utilizes a nationwide network of experienced insurance agents handling full lines of insurance for farmers, (life, health, property/casualty, automobile and crop insurance; fire, hail and multi-peril).

1. Assisted reinsured commercial companies to develop technical abilities and capacity to increase participation and continue increasing the number of reinsured companies. Number of commercial insurance companies reinsured by FCIC 1981–1986 are:

1981	17
1982	29
1983	34
1984	41
1985	49
1986	52

2. Provide technical assistance to the Master Marketing Agencies (MMA) who sell and service on a commission basis. The number of MMA's contracted for crop year 1982 to 1985 is:

1982	63
1983	60
1984	60
1985	64

The primary function of FCIC organizational units such as Data Automation, Claims, Marketing and eighteen Regional Offices is to support the insured on Federal paper and the agency system contracted to sell and service. The primary function of the Marketing Division, with ten permanent full-time professionals, four permanent full-time and one permanent part-time clerical, is to act as liaison, contract compliance and support element for the Agency Sales and Service Contractor. Additionally, support in the form of $500,000 budgeted for cooperative advertising was available, on a cost share basis, to MMA's for the 1985 contract year. It is projected $95,000 will be reimbursed in 1985 under this offer. Other advertising support has been generated by FCIC including the publication and distribution of the APH promotional booklet "Crop Insurance Protection for 1986" with 56,700 of 308,243 copies distributed to MMA's as of January 27, 1986.

Annual sales motivation meetings are held with the MMA at which time the MMA respresentatives are given an open discussion period for questions and answers. Management, division or senior staff representatives are present to discuss issues which may be brought forward. The annual meeting also serves as a time for presentation of new or modified FCIC programs.

Additional structured or single purpose meetings are held with representatives of the MMA, such as the instructor institutes, and meetings with management, as requested.

g. Proposed a change in funding authority that would dramatically inprove the Corporation's financial and cash flow position.

h. Proposed a 5-year phase-out of the premium subsidy.

i. Placed more emphasis on internal controls and management controls to assure program integrity.

j. Implemented a compliance review function to assure contractors are meeting established standards.

k. Revised the agency administrative appeals procedures and established a formal Washington, D.C. level in the process.

l. Maintained a close working relationship with commodity groups, industry groups and Congress.

m. Made significant achievements towards automation in all areas. A move to distributed processing is underway. This constitutes a major redesign of the current outdated mainframe system of batch processing.

n. Streamlined the organizational structure to coincide with new policies, programs improvements, and business volume.

o. Redirected the document flow process for faster payment of claims, crucial to producers already in financial distress.

MOVEMENT TOWARD PRIVATIZATION OF CROP INSURANCE

Mrs. SMITH. Why is FCIC so insistent upon moving towards privatization and what is the current status of these efforts?

Mr. SPRAGUE. Section 508(e) of the 1980 Federal Crop Insurance Act directs the Corporation "to provide reinsurance, to the maximum extent practicable . . ." That effort was begun in 1981, and the producers' response to private company participation is reflected in the fact that approximately 80 percent of the crop insurance business is now delivered by companies that FCIC reinsures.

Consistent with this Congressional direction is the Administration's policy to privatize those government functions which can more effectively be carried out by the private sector. The private insurance industry has clearly demonstrated their capability to deliver this program very effectively.

Finally, the requirements of Gramm/Rudman/Hollings dictate that we aggressively pursue every alternative for reducing Federal expenditures.

Mrs. SMITH. Do you believe making crop insurance mandatory for farmers participating in USDA programs is necessary to increase participation levels?

Mr. SPRAGUE. No, I do not believe so.

PUSH TO PRIVATIZE CROP INSURANCE

Mrs. SMITH. Do you believe that the push to privatize FCIC will cause a return to disaster payments for farmers?

Mr. SPRAGUE. No, I do not. The sense of Congress regarding elimination of disaster payments is clear. Further, I believe most farmers recognize that crop insurance is a cost-effective risk management tool.

INTENT OF THE FCI ACT REGARDING MOVING TOWARD PRIVATIZATION

Mrs. SMITH. Do you believe that moving towards privatization is consistent with the intent of the Federal Crop Insurance Act of 1980?

Mr. SPRAGUE. I believe the Crop Insurance Act is clear on this point, as mentioned earlier.

Mrs. SMITH. Thank you, Mr. Chairman.

Mr. SMITH. Thank you.

Mr. Myers.

RELATIONSHIP WITH INDIVIDUAL AGENTS

Mr. MYERS. Thank you, Mr. Chairman and gentlemen.

In your colloquy with Chairman Whitten a moment ago, I got lost a little bit, which isn't too difficult to do, actually, for me. I don't mean to leave the impression the other way. I've served on this committee for a number of years, too, not quite as long as Mr. Whitten and Mr. Smith have, but in your relationship with individual agents around the country, you have two forms of that relationship; one as an agent who represents a reinsurance company, and an agent who sells direct for the Federal Crop Insurance Corporation.

Do you have offices where the agent represents both, and how is it decided whether it will be reinsured or whether you sell direct?

AGREEMENTS WITH AGENCIES AND COMPANIES

Mr. **Sprague**. Mr. Myers, we do not have any contracts directly with an agent. We do have agreements with agencies, in the case of the writing of federal paper. We have agreements with companies, in the case of our reinsurance operations. Those companies or those agencies have contracts with individual agents who are part of their writing system.

In the United States, it is common for insurance agents, independent insurance agents, at least, to write for more than one company. There are some companies that insist upon a captive agent force that solely works for them, but the majority of agents in this country write for more than one company.

Consequently, we have felt it only appropriate to date that individual agents with whom we have no direct contract be allowed to choose the writing companies for whom they work. Federal Crop Insurance Corporation is an insurance company in the case of its direct writings.

Our contractors are agencies who represent groups of agents. Many of those individual agents do have a contract ability to write not only for the Federal Crop Insurance Corporation, but also for one or more private companies whom we reinsure.

We do not see that as a departure from the standard industry practice of allowing agents to represent more than one company.

Mr. **Myers**. Well, my question was twofold:

One, do you have more than one agent in a particular farming area, such as more than one agent in a county?

Mr. **Sprague**. In many cases, yes. In many cases there are several competing agents for the potential business.

Mr. **Myers**. And it is up to that individual agent who is not a contractee with you, but he's an agent for a contractee? How do you select what insurance companies you contract with?

SELECTION OF INSURANCE COMPANIES

Mr. **Sprague**. We do have some financial standards that such companies have to meet. We have an agreement that they must sign. That agreement requires that they submit a plan of operations that explains in detail their expected scope of business, and the choices that they make in regard to a number of things that we require to be reported to us.

They must meet those financial standards and they must meet the standards that we have published for reinsurance. Generally speaking, a private sector company that is in good standing in their state can qualify.

Mr. **Myers**. I'm trying to figure out how I got hooked up with the agent I got hooked up with out in Indiana. How did I get there? Did you tell me, or did they just solicit me and I signed the papers or—I can't remember.

Mr. **Sprague**. The individual farmer has the capability to choose which agent serves him, and as a policyholder that right is first and foremost yours.

Mr. **Myers**. Then I can shop around and I can go out of the county and go some place else if I want to.

Mr. **Sprague**. That is true, but the rate you will pay is the same, established in the conditions of the contract, the cost will be the same.

ESTABLISHMENT OF CROP INSURANCE RATES

Mr. **Myers**. The next question, who establishes the rate?

Mr. **Sprague**. The Federal Crop Insurance Corporation does all of the actuarial work, is fully responsible for the ratesetting process.

Mr. **Myers**. Then you are requesting here $188 million to be used for reinsurance administrative expenses. What in the world is that, then? What do we pay that—don't they make a profit on the insurance? If they're reinsurers, they get a portion of the premium. What's the reimbursement for that purpose?

Mr. **Sprague**. All right, the premium established for crop insurance, when sold by a private company, is the net risk premium. It's the premium that we decide in our actuarial division in the ratesetting process to be necessary to pay the losses that are to be expected.

It should be a break-even process, if we meet our underwriting charges, if the losses exactly match the premium.

REIMBURSEMENT TO COMPANIES

The statute of 1980 requires that the administrative and operating expenses of the crop insurance program be paid out of appropriated funds. As a result, as a part of our reinsurance agreement terms, we have established an expense allowance companies—a reimbursement, if you will, for the expenditures that they incur in order to provide these services. And much of the money that you referred to, much of that $189 million, goes to support that kind of activity.

Mr. **Myers**. Well, that's—I think the Chairman was asking, is that negotiated on a company-by-company basis, or is that a set percentage of business, or how is that established?

Mr. **Sprague**. The dollar value or the dollar reimbursement to each company bears a direct relationship to the amount of business that they put on the books.

In other words, we pay it on a commission basis, a percentage basis of total net risk premium.

Mr. **Myers**. And all companies get treated equally?

Mr. **Sprague**. All companies are offered the same reinsurance agreement, standard terms, standard conditions.

REIMBURSEMENT TO ASCS

Mr. **Myers**. Okay. Now my last question is on the $4.3 million reimbursement to ASCS. What do they do for their $4.3 million, and why must you reimburse them?

Mr. **Sprague**. ASCS provides a wide variety of services, most actuarial in nature. They have played a major role up to date in the establishment of many of our yield guarantees.

We have reduced that role for ASCS in 1986, while they have many competing demands upon their time, but they still provide us with a substantial amount of information specifically relating to cotton, rice, tobacco and peanut program numbers.

Further, they provide us office space and clerical support where necessary in the field. They provide us computer support where necessary. We have a relationship that makes them a point of information for crop insurance in every county across this country. So part of the expenditures for which they are being reimbursed is to fulfill their responsibility as an information source to farmers about crop insurance programs.

Mr. **Myers**. Do you ever pay them a commission on rice? They haven't done a very good job. It's been kind of a loser, hasn't it?

Mr. **Sprague**. Well, what they have furnished us is information that directly relates to individual farmers' production history.

Mr. **Myers**. Okay. Well, thank you for your testimony.

Mr. **Smith**. Thank you.

Mr. Skeen.

Mr. **Skeen**. Thank you, Mr. Chairman.

They probably got your name off of one of those catalogue lists, John, that's how you got your agent. [Laughter.]

EMERGENCY FUNDING FOR CROP INSURANCE

Thursday we are going to have a meeting of the Full Appropriations Committee to consider an Omnibus Urgent Supplemental Appropriation bill for FY '86, and in this bill is going to be included some language that prohibits prohibition on the ability of the Commodity Credit Corporation to transfer funds to the Crop Insurance Corporation in times of emergency to make payments to producers. That language makes the transfer of these funds subject to prior appropriation acts.

Could you tell me whether you believe this is going to have a positive or a negative impact on the ability of FCIC to pay producers if we have an emergency situation?

Mr. **Sprague**. Mr. Congressman, the Federal Crop Insurance Corporation has literally no funds in its capital account at this point. Any time that we would face a cash flow negative situation, the proposal that you just mentioned would have a very negative impact upon the crop insurance program. It would result in farmers not getting their money when they were justly due a claims payment. It would result in private companies expecting reimbursement for claims paid to farmers not getting the money when they expected it and when they needed it to cover their checks to farmers. It would be disastrous from a public relations perspective to not pay producers when their monies were due.

TIMELINESS OF CLAIMS PAYMENTS TO PRODUCER

Mr. **Naylor**. Mr. Skeen, may I add that we are concerned about the timeliness of payment to farmers under claims, particularly at a time when they are already under stress of the loss of the crops occurring. We welcome oversight by the Congress. The use of CCC funds was not intended as a vehicle to circumvent oversight review and ultimately approval of the expenditures and commitments of taxpayer dollars.

What we are concerned about is the probability and likelihood that Congress might well be in recess at the end of the crop season, for example, at a time when claim demands are rather heavy against the Corporation. And if, as is the case, we did not have sufficient premium income to keep those claims paid on a current basis, producers who desperately need those funds could be left for anywhere of a month to three, perhaps even four, months by the time we work through a normal appropriation process during the period in which time Congress is in session.

The purpose of the CCC borrowing provision was to ensure that an individual producer did not suffer because of that technical process required under the appropriation.

I would hope that the committee would consider very carefully any restrictions which would hurt producers that are already under stress, in the timeliness of the claims payments which they receive. I think it would bode ill for the government in bearing out its responsibility in its contractual commitments to producers to reimburse them under the contract in the event of a loss.

Mr. **Skeen**. You have told us in testimony prior to my time of questioning that you are without funds now but you are covering some payments made through premiums, where you have the premium backup.

Mr. **Sprague**. We do not expect to be able to make any claims payments from yesterday forward.

Mr. **Skeen**. You are out of money and ideas and——

Mr. **Sprague**. We are out of money. If substantial collections come in, if people pay premiums which are due, that are overdue, frankly, we could, theoretically, at least, have some money to pay claims, and we will do so out of such funds as they are received, but we do not expect any substantial amounts of monies to arrive unannounced under such conditions.

Mr. **Skeen**. If we initiate this kind of language, if you have any kind of a problem, that just further exacerbates the problem, in your opinion.

Mr. **Sprague**. Yes, it would.

Mr. **Naylor**. Very significantly, Mr. Skeen.

Mr. **Skeen**. Severely.

Mr. **Naylor**. Very severely.

Mr. **Skeen**. And right now it is a question of how much cash flow we keep going through the agricultural community.

SUPPLEMENTAL FOR CCC—DISCONTINUANCE OF PRODUCER PAYMENTS

Mr. **Naylor**. I think it reemphasizes, too, Mr. Skeen, the importance of prompt action by Congress in resolving the differences that appear to exist on the supplemental for CCC because not only are we unable to write program checks for producers because CCC is shut down, but as of today, because we cannot access CCC for crop insurance because of their lack of funds, we will also have to discontinue indemnity payments under crop insurance.

Now, that is working a significant hardship on many producers.

WORKING WITH REINSURANCE

Mr. **Skeen**. Let me ask just one other question. There seems to be a substructure of total suspicion about this business of when we decided to work with reinsurers in this thing, and I don't know how long—how long has that program been going on now, for four to five years? Four years.

Mr. **Sprague**. The first reinsurance agreements were initiated in 1981, so it may be five, but it was just a start at that point.

FOLLOWUP INVOLVING FRAUD WITH REINSURANCE

Mr. **Skeen**. Have you had any instances of fraud involving reinsurers?

Mr. **Sprague**. Involving the companies, no. We have had some allegations of problems. We have followed up and are following up problems where they exist, but there have been none that have been substantiated to this date. We have had some fraud problems as they relate to individual producers.

Mr. **Skeen**. Not with companies but with individuals.

Mr. **Sprague**. Yes.

Mr. **Skeen**. Who does your followup? Do you have an Inspector General?

Mr. **Sprague**. The Inspector General Office has been generally responsible for the audit and review of this program to date. In our most recent reorganization proposal, which has been approved and which we are in the process of implementing, we are establishing a compliance division within the Federal crop insurance which will substantially augment our internal review capabilities.

Mr. **Skeen**. Are you happy with that kind of system as far as following up on fraud and handling your own enforcement through your own agency?

Mr. **Sprague**. I believe an internal capability within the agency is necessary, but at the same time, serious problems do have to be referred to the Inspector General's Office and to the Justice Department.

COOPERATION BETWEEN FCIC AND PRIVATE REINSURANCE

Mr. **Skeen**. How smooth is the cooperation now between the FCIC and as far as communications and policy changes and so forth with the private reinsurers?

Mr. **Sprague**. Mr. Skeen, we in the government have had much to learn when it comes to doing business in partnership with the private sector. Perhaps some of them have had much to learn as well. It has not been, in all honesty, a fully harmonious situation, but we have been able to date to resolve the problems that have surfaced, and I expect that to continue.

It is a learning process. It is one that involves a lot of give and take. In many respects it is like being in partnership on a farm with your brother-in-law. You are both in it, you can't really get out——

Mr. **Skeen**. It won't work. I can tell you that right now. [Laughter.]

I hope that this does work. I want to say to you that it has been one of the most important advancements if we can make it work in agricultural operations.

Mr. **Sprague**. Let me assure you that I am committed and the rest of my management team is committed to doing everything within our reasonable power to make it work.

Mr. **Skeen**. Thank you all very much, and thank you, Mr. Chairman.

BORROWING FROM COMMODITY CREDIT CORPORATION

Mr. **Smith**. Undersecretary Naylor, I guess you are the one to ask this question. FDIC has a draw on the Treasury when their premiums aren't enough. Why shouldn't this insurance company have a draw on the Treasury instead of CCC?

Mr. **Naylor**. Mr. Smith, it is our view that the most appropriate authority to use within the agricultural community was the Commodity Credit Corporation, which has similar authorities and other related activities within the Department, a view shared by the Agricultural Committee in the passage of the Farm Act that was signed in December. The other option obviously was an alternative that could have been considered, but the Agricultural Committee elected to proceed with the more traditional one within agriculture of CCC.

Mr. **Smith**. The Agriculture Committee is not quite as sensitive as this committee is about loading CCC down with too many things. If you go get a restoration of $10 billion instead of $5 billion, it might be a little more difficult to do, and that is the reason I asked this question, is why do we go to CCC to get the shortage instead of the general treasury like other government insurance companies do?

Mr. **Naylor**. I would have to say to you, frankly, although I can't speak for the Agriculture Committee, that there as a comfort level and a commonality of the use of CCC within the Department and that it was an area that was subject to the oversight of the Agriculture Committee, subject to the oversight of these subcommittees within the appropriation structure, and the one which the committees clearly preferred to follow.

WHEAT AND FEED GRAINS PROVEN YIELDS

Mr. **Smith**. This applies primarily to wheat and feed grains, but at the very time that you are going to proven yields, we eliminate proven yields in the regular farm program, and so it brings me back to a question I asked you about last year, and I realize you have a different—we have a five-year history instead of a ten-year history on yields, but wouldn't it be a lot more simple and understandable and perhaps more fair if we were to use the farm yield or what we used to call the normal yield instead of a proven yield?

Mr. **Sprague**. Mr. Chairman, there is clearly more than one procedure that it would be possible to follow. To date we would have had some problems following the ASCS yield with yield guarantees in that they have been subject to a lot of fluctuation between the years, and an insurance program needs stability, an insurance program needs a firm number that is not subject to the whims of managers, agency administrators, secretaries of agriculture or even Congress.

We need a sound basis for the establishment of coverages that do not change from year to year, and if we could ever get to the point where a program yield was stable, there may well be some possibilities in using such a yield as the basis for a guarantee.

Mr. SMITH. But a proven yield is not going to be stable either.

Mr. SPRAGUE. Well, that is true, but a proven yield does reflect the individual farm's capability to produce over a period of time. There is nothing wrong with increasing yield guarantees under a crop insurance program when yields are rising. At the same time, there is nothing wrong with decreasing the yield guarantees when yields are going down, when yield expectations are going down, when performance has gone down.

Mr. SMITH. There are a lot of problems with proven yields. We found this out in ASCS, too. There are farms out there side by side where the neighbors know one produces the same amount of corn as the other one but one of them has a much higher proven yield than the neighbor. One of them in one case maybe cash rents and share rents several other farms, and his cash rented farm generally ends up with the biggest proven yield.

There are a number of ways this is done, and you can't tell by taking settlement sheets what was really raised on a farm. That gives some difficulties, too. Then we have this additional problem that happened last year in a part of Iowa, were they had a bumper soybean and corn crops but couldn't get it out of the field. By the time they got it out of the field, they had half a crop and that really doesn't tell what can be produced.

Mr. SPRAGUE. From an insurance perspective, we may well have paid a loss on that bumper crop that deteriorated in quality.

Mr. SMITH. You did, but his guaranteed yield this year is way down because he couldn't get that big crop out of the field.

YIELD GUARANTEE CHANGES

Mr. SPRAGUE. Under the approach that we follow, using a ten-year historical data base, the maximum that a yield guarantee can change from one year to the next is seven percent. Maybe that is way down, but that is the limit that we have placed on the change on a year-to-year basis.

Mr. SMITH. I think there must be a way, and I know you are still working with it, but there has got to be a way to make it a little more understandable that what we have. Maybe it will work its way out, but it is difficult to explain to somebody why they got a farm yield or a normal yield that is different from the guaranteed yield.

The other thing that I like about the normal yield or the farm yield is that if you don't like it, you can appeal. You go there and you sit before the elected committee and they look you in the eye, and if you tell them you had a higher yield than that, they know a little bit about it, too. Then you have got an overall county total production that they can't exceed, so they know if they are going to give you a higher one, they are going to take it off of somebody else eventually.

There are some things involved in that that I think are better than just letting somebody walk in with some papers in his hand and prove his yield.

PROPOSAL TO USE ALL PRIVATE INSURANCE AGENTS

The other thing that I wanted to ask you about is your proposal to, in effect, eliminate the government from this program and use all private agents. Is that what your goal is?

Mr. **Sprague**. The crop insurance is sold today almost solely by private insurance agents under one of the two delivery systems, and the proposal is, yes, to, in essence, turn this program over to the private insurance industry at the end of a five-year period.

ALLOWANCES TO REINSURED COMPANIES FOR BAD DEBTS

Mr. **Smith**. Here is what I want to bring up. You are allowing insurance companies to retain an additional 2 percent to cover the risk of some people not paying. Is that correct?

Mr. **Sprague**. To date we have made some concessions in our reinsurance agreement which, in effect, do place a cap on the bad debts loss exposure of private companies.

Mr. **Smith**. But in effect, you increased the amount of money that the insurance company can keep by something like 2 percent in order to cover the risk of some people not paying their premium; isn't that right?

Mr. **Sprague**. That is one of the costs of doing business, not only for private companies but for the Federal Government.

Mr. **Smith**. I'm just asking if that is a fact, though.

Mr. **Sprague**. Well, clearly the bad debt consideration is one of the business-related expenditures that is considered in the establishment of the reimbursement.

Mr. **Smith**. I'm not quarreling with it; I'm just asking whether that is a fact.

Mr. **Sprague**. Yes.

RISK TO AGENTS FOR BAD DEBT COLLECTIVE

Mr. **Smith**. Okay. Here is the problem. Some insurance companies then make the agent stand the risk but they keep the extra 2 percent, and the agent sits out here, and some of them got caught on this, you know. I know that an insurance company put it in the fine print that the agent would stand the risk, and then the insurance company kept the 2 percent. But some of the agents feel, and I think justly so, that if it weren't for the fact that they could sell government insurance instead of private insurance, that all insurance companies would do that.

Now, there is a way around it. You have got agreements with these insurance companies. Why don't you require the insurance company to stand that risk instead of making the agent liable? If you are going to let him keep the 2 percent, then he ought to stand the risk, shouldn't he?

Mr. **Sprague**. Well, Mr. Smith, each insurance company is an independent business and each one of them establishes policies for their management that differ somewhat from the policies of the next company. In the competitive free enterprise system, the guy at the end of the line, the agent who is unhappy in the situation you describe, has some options. He does not have to work for that company.

If he can find another that will pay him more or remove this perceived burden from his back, he is going to move and write for another company. If he is staying with that company despite such requirements, which really are not particularly onerous, in my personal judgment—if I were managing an insurance company, I would want to shift as much of that risk to an agent as was possible.

Mr. **Smith**. Keep the money you give to him and make the other guy take the risk.

Mr. **Sprague**. But to make him do that, I'm probably going to have to pay him more money, too, and that is part of the equation that exists in the free enterprise system.

Mr. **Smith**. There is no difference in what the insurance agent gets from the government insurance or from the private company insurance. It is just that he stands the risk in one case, and in the other case he doesn't. He has had that experience once and he doesn't want it again. You can understand that. But it doesn't seem to me that you ought to pay the insurance company to take the risk if they are going to shove it off on somebody else.

REIMBURSEMENT TO COMPANIES FOR BOOK OF BUSINESS

Mr. **Sprague**. Mr. Smith, what we are paying an insurance company for is a book of business, a total book of business, and how they allocate the expense reimbursement, how much they pay their individual agents really is their business, and there is no particular need for us to interfere.

Mr. **Smith**. When you made your agreement with him, you calculated that he was going to have a risk, justly so.

Mr. **Sprague**. We calculated that the company, in total, including all of its representatives, was going to have a risk, yes.

Mr. **Smith**. And then you gave him the money to cover the risk.

Mr. **Sprague**. That is right. And the agent's responsibility is to get his share from the company if he wishes to work for that company.

Mr. **Smith**. You can see why they don't want the government clear out of the insurance program even though they are private insurance agents. They say if the government wasn't available to us, all those companies would follow the same practice and we would be sitting out here taking all the risks and they are getting the premium money. I can understand why they don't want this to happen.

HOLDING AGENTS ACCOUNTABLE FOR BAD DEBTS

Mr. **Naylor**. Of course, Mr. Smith, I think too the companies probably, and rightly so, fear that if they do not hold their agents accountable, the agents are, after all, the ones that have to do the collection, and if they don't have some risk at the agent level, then the incentive for the agent to collect is not very much, and then the company does indeed stand the risk of whatever payment we——

Mr. **Smith**. I am sure they take that into consideration when they select an agent.

Mr. **Naylor**. That is true, and there is also the option, as Mr. Sprague indicated that some companies do pay varying commission rates from what we pay our master marketing arrangements in their situation. The agent is free to change and work for any one of the companies from which he feels he can get a better financial arrangement with them, and many do change to take into consideration factors as you have indicated here, which the agents that have talked to you, of course, are free to look to other companies who do not put them at risk or minimize that risk of the types that you have been talking about.

Mr. **Smith**. As you know, insurance agents aren't really free to shop around with companies as much as is indicated. If you start shopping with companies, if you are an insurance agent you find out there are various kinds of pressure within the industry. They want to know why you left that company and a number of other things. It doesn't quite work that way.

Did you have a question?

REIMBURSEMENT CALCULATIONS FOR BAD DEBTS

Mr. **Myers**. And how is it calculated?

Mr. **Sprague**. It is calculated on the basis of their total net risk premium.

Mr. **Myers**. You pay them directly on two percent of those direct premiums——

Mr. **Sprague**. Well, we do not pay them a specific allowance. It is part of a total allowance which may be estimated to include two percent for the risks of bad debts, that relate to bad debts and delinquent accounts.

Mrs. **Smith**. If their losses are greater than two percent they absorb it——

Mr. **Sprague**. They eat it.

Mr. **Smith**. But the point is that as long as you let insurance companies, in their agreement, keep the money for the risk that they do not take the risks, then insurance agents and others out there in the country are not going to be anxious to see you go 100 percent insurance company business.

They are going to say keep the government in this thing a while so there is at least an alternative that we can go to.

You do not require the agents that you deal with directly, to assume this risk.

Mr. **Sprague**. We do not require premium liability of the individual agents or of the agencies with whom we contract. But at the same time, we pay no commission unless a policy's premium is collected.

Mr. **Smith**. Any other questions?

CONTRACTUAL ARRANGEMENTS WITH INDIVIDUAL AGENTS

Mr. **Myers**. I am still not certain about this contractual arrangement you have with individual agents. If an agent in a particular area just does not happen to represent a company that does qualify for FCIC insurance, then that agent may not sell Federal Crop Insurance policies, is that correct?

Mr. **Sprague**. That is correct. He must be associated with either an agency or a company that has an agreement with us.

Mr. **Myers**. My second question is how does that agent decide whether he insures a particular farm through his company or through direct FCIC?

Mr. **Sprague**. Ultimately, the choice is the policyholders because the policyholder not only chooses the agent, but agrees to be insured by a company. So the contract holder is really the policyholder and the company. The agent is the middle man. He is the broker.

Mr. **Myers**. Do you think, really, the individual farmer knows or really cares who his insurer is?

Mr. **Sprague**. It should not make any real difference, in the course of crop insurance operations, because the terms, conditions and rates are the same. But there are some factors which might make it important. No farmer would want to be written by a company in whom he had great doubt about their financial stability. If the company were to fail with him holding a contract, there could be some potential disadvantages to the policy holder.

Mr. **Myers**. What I am thinking of—I am a river bottom farmer. I have got 100 acres in river bottom. Now, if I were an agent out there, working for a company that I have other lines besides this crop insurance, and I am, somewhat dependent upon my experience with that company in losses, if I am deciding where to put that policy, I am going to say, oh, the heck with it. I will give this one to the government because I suspect this might be a high risk area.

And the government, then—the FCIC is taking the biggest risk on a great many of these. Is there any indication this could be happening?

Mr. **Naylor**. From the farmer's perspective, the contract terms are exactly the same?

CONTRACT TERMS SAME FOR GOVERNMENT AND REINSURANCE PAPER

Mr. **Myers**. Sure. But we are talking about reinsurance.

Mr. **Naylor**. But even from the commercial company, the contract that they write, Mr. Myers, is exactly the same as the one that is on federal paper. The terms are the same.

The big difference, in many cases, will be the relationship of the policy holder to his agent and what kind of claim service and what kind of arrangements that he is getting from that individual company.

Quite frankly, the commercial companies have generally had a better track record, of more prompt payment of claims, of quicker service on the contracts, than some of the federal contracts have had.

The decision, in the end, probably is going to be the relationship of the producer with that particular insurance agent and degree of confidence he has in the company which that agent selects.

Mr. **Myers**. Well, I write my check to the FCIC and I guess it is Kansas City where I send the check, and if I have a loss, the checks come from—that means I have had it direct with you people. Is that right?

Mr. **Sprague**. It means that you are written directly by the Federal Crop Insurance Corporation, that you are on Federal paper.

Mr. **Myers**. I wonder why. I am going to find out, though.

The other thing I have, the reinsurance practice is rather common in the insurance business, particularly along large lines. But are the contracts you have for reinsurance and your payment therefore, are they in line with other lines of high risk in reinsurance? Are you paying any more or any less than what is common practice in reinsurance?

FEDERAL SUBSIDY ON INSURANCE PROGRAM

Mr. **Sprague**. It is never a common practice for the reinsurer to reimburse the writing company for its expenses. But we have a unique situation with crop insurance, in that the statute says the Federal Government will pay such costs. So we are unique in that respect, being the only insurance program in the United States today where there is a Federal subsidy of that nature that is widespread. At least which is used by farmers.

Mr. **Myers**. I hope that the farmer insured is benefitting from this and the premiums are not as high. Is there compensating, offsetting premium adjustment for this?

Mr. **Sprague**. Yes, there is. The administrative and operating costs are not part of the calculation for the premium.

Mr. **Myers**. But you can calculate those for comparison purposes. Are they comparative? Have you ever done this, compared to see how——

COST OF CROP INSURANCE PROGRAM

Mr. **Sprague**. Yes, we have. And in relation to other lines of insurance, property and casualty insurance. The delivery cost for crop insurance, regardless of our delivery system, have been very, very competitive. The total costs have been lower, for instance, than private auto insurance, which is the lowest cost line of property and casualty insurance generally available in the private industry.

NUMBER OF REINSURED COMPANIES

Mr. **Myers**. How many insurance companies in the United States do reinsure?

Mr. **Sprague**. We have approximately 50 reinsurance agreements today, but some of those agreements are with companies that have a number of fronting companies, a number of associated companies. So the total number of companies is substantially in excess of that number of 50.

In addition, we have several companies who are contractors under the agency sales and service agreement solely, even though they are fully private insurance companies and would qualify for reinsurance agreement. They have chosen to write on federal paper because they did not desire to take a share of the risk.

Mr. **Myers**. They just get paid for handling the contracts, right?

Mr. **Sprague**. In essence, that is correct.

NUMBER OF AUTHORIZED AGENTS

Mr. **Myers**. How many agents do you have, throughout the United States? Do you have any figure on that?

Mr. **Sprague**. We do not have a good number because it varies rather substantially. Writing on federal paper today, we feel there are about 6,000 authorized agents. On the private side, we think there is somewhere in excess of 15,000.

Mr. **Myers**. Earl Butz would say a hell of a lot of them.

Thank you.

Mr. **Akaka**. Thank you.

TWO BUDGET PROPOSALS—EXISTING AND PROPOSED LEGISLATION

I just have a small question. I note you have come with, in essence, two proposals. One, under the existing money and also one under the proposed budget. My question deals with the time frame.

We are thinking in May we should be dealing with our Appropriations Bill, in early May. Do you have an idea when your proposal will be brought to the Hill and considered here?

Mr. **Naylor**. We expect that the proposed legislation will be submitted to the appropriate oversight committees within the next few weeks, at the most, for consideration as part of this session of Congress' discussions.

We anticipate there will be oversight hearings in the House probably in April sometime.

Mr. **Akaka**. I am just raising that in case it does not go, then we are going to have to reach back to the existing statutes.

Thank you very much.

Mr. **Whitten**. Mr. Watkins.

FARMER SATISFACTION WITH CROP INSURANCE

Mr. **Watkins**. Mr. Sprague, thank you for coming to present the budget of FCIC.

In your opinion, are farmers satisfied with the product they purchase under FCIC?

Mr. **Sprague**. Generally, farmers are becoming more and more satisfied with the crop insurance product. Not unlike consumers of any goods or services, most farmers would like to have higher guarantees at lower premiums. But more and more are recognizing the value of the product that is now being offered, and appreciate having this kind of risk protection against the uncertainties of commercial agriculture.

FARMER PERCEPTION OF FCIC

Mr. WATKINS. How do farmers perceive the product offered by FCIC?

Mr. SPRAGUE. In the past, many farmers viewed crop insurance as a program designed for below average farmers. This was because under the old area coverage concept, below average farmers got the "best deal;" that is, they got a higher level of protection as a percentage of their normal production than better farmers.

This has changed. Under the Actual Production History (APH) program, premiums and guarantees are tailored to individual production and risk situations. Thus, below average farmers no longer get the best deals, and better farmers can obtain higher amounts of coverage than ever before.

I believe the perception of the crop insurance program and product is improving dramatically among America's farmers.

Mr. WATKINS. If a good product is not being offered, what changes need to be made?

Mr. SPRAGUE. The product now being offered is sound. However, stability needs to be built into the financial structure of the program.

Because of aberrations in weather patterns over the last four or five years, the crop insurance program has experienced a poor loss ratio relative to earlier years. The ability of FCIC to pay indemnities on a timely basis has come under question as a result.

Farmers must feel secure that in times of need, the money will be there to pay indemnities. Our budget proposal would provide for that kind of financial stability.

NOTIFICATION OF FARMERS WHEN INSURANCE IS SWITCHED

Mr. WATKINS. Are farmers notified of their insurance being switched to reinsurance companies prior to the taking of that action?

Mr. SPRAGUE. By State statute, policies written by private insurance companies must be on file with the state insurance commissions in the format they are written. Although the Federal and MPCI (reinsurance) crop policy provisions are identical, the USDA policy endorsements are not included on MPCI policies. For an insured to switch to a reinsurance company, they must cancel the Federal Policy and rewrite to a state approved MPCI crop policy. The cancellation and rewrite of a new application require the insured's signature and knowledge. Some problems have been encountered in the past with transfer; however, procedures have been revised to correct the problem.

STATUS OF APH TO VERIFY YIELDS

Mr. WATKINS. What is the status of using Actual Production History to verify the yield of farmers?

Mr. SPRAGUE. The Actual Production History (APH) program, which began with cotton and rice in 1984, has now been expanded to include all insurable crops, one year ahead of schedule.

OPTION OF USING ASCS FIGURES OR YIELD RECEIPTS

Mr. **Watkins**. Does a farmer now have the option of using either ASCS figures or yield receipts to verify his yield for insuring his crop?

Mr. **Sprague**. Beginning with the 1986 crop year, FCIC will accept an ASCS proven yield for insurance purposes. Farmers who have proven yields or other production evidence on file with government agencies or insurance companies are encouraged to use them. Other farmers may use a variety of production records on which to establish a yield base for insurance purposes.

Mr. **Watkins**. Which option do most farmers choose?

Mr. **Sprague**. We do not know what percentage of farmers who have ASCS Proven Yields actually furnish them for crop insurance purposes. It is safe to say, however, that farmers will tend to use the higher of ASCS proven yields or yields certified through evidence of disposition.

Mr. **Watkins**. Do you plan to take away that option in 1986 so that he must use APH figures?

Mr. **Sprague**. As long as ASCS continues to prove yields in a manner acceptable to FCIC, we will accept them for insurance purposes.

RELEASE OF NEW REGULATIONS REGARDING COVERAGE CHANGES

Mr. **Watkins**. Last fall, agents were told that under any kind of plan, especially APH or IYC that coveage would not change more than 7% of the 1985 coverage for the 1986 crop year. Farmers based their decisions on this information. Then the rules were changed after Jan. 1. We have a case of farmers getting stuck with a very hefty change for coverage and others we may have doomed if something is not done. When were the new regulations released?

Mr. **Sprague**. Last Fall, FCIC announced its intention to amend winter wheat procedure to impose the 7 percent limit on increases and decreases in yields. This was a direct response to appeals from producers and insurance industry officials who feared that poor winter wheat yields would have a disastrous effect on 1986 yield guarantees.

Despite the fact that yield aberrations are already mitigated by dropping the high and low years in the 10-year base period before calculating the guarantee, FCIC agreed to respond to producer and industry appeals in an effort to help those farmers who faced significantly lower guarantees through no fault of their own.

Because Federal regulatory requirements as well as FCIC regulations requiring the notification of insureds of any potentially adverse action at least 15 days before cancellation date could not be met, the 7 percent limit on yield increases was not imposed. However, the limit on yield reductions stood.

Spring planted crop procedural changes were discussed at the APH training sessions held in Early November, 1985. The provision relating to the 7 percent limit on yield fluctuations was included in training documents distributed at that time as well as in all versions of FCIC procedure, which was finalized and distributed in January, 1986.

Mr. **Watkins**. This was an amended version of original regulations?

Mr. **Sprague**. Yes, the procedures published in January contained changes from the previous versions.

Mr. **Watkins**. What did the amended regulations say?

Mr. **Sprague**. Beginning with 1986 Spring planted crops, the 7 percent limit on yield reductions would apply to all insureds with 3 or more years of records on APH as well as those insureds previously on IYC. The 7 percent limit on yield increases would apply to insureds with 2 or 3 years of records.

Mr. **Watkins**. So, it no longer applied to all farmers?

Mr. **Sprague**. The limitation on increases and decreases does not apply to any producers previously insured under the Area Coverage Plan and converting to APH for the first time. One of the principal objectives of APH is to relate insurance guarantees to proven production. Once that production level is established, measures are applied to make the offer more palatible. However, applying those measures before a production level is established would defeat the purpose of APH.

Mr. **Watkins**. This occurred after the canellation date?

Mr. **Sprague**. No. The cancellation date for Spring planted crops is either March 31 or April 15, depending on the crop and geographic area. New procedure was published well in advance of these concellation dates.

Mr. **Watkins**. Isn't there policy or a measure in the law that states changes cannot be made after cancellation date if the changes would unfavorably affect the farmer?

Mr. **Sprague**. Yes. FCIC regulations require that insureds be notified of any potentially adverse actions at least 15 days before canellation date. Such notification for the procedure in question took the form of "conversion letters" which were mailed to insureds in December, 1985 and Janaury, 1986, well in advance of the pertinent cancellation dates.

Mr. **Watkins**. Did you view this to be favorable to farmers? I contend that farmers will be severely affected, I know I have farmers that are suffering because of the change.

Mr. **Sprague**. As I indicated in my answer to a previous question, this action was taken in direct response to appeals from producers and insurance industry officials who feared that abnormally low yields in certain areas would have a disasterous effect on 1986 yield guarantees. We at FCIC felt that the policy of dropping the high and low years before calculating the guarantee was sufficent from an underwriting standpoint to mitigate the effect of abnormally low yields. However, we also recognize that the product we are offering must be palatable from a marketing as well as underwriting standpoint, to do any good. Therefore, we responded to those appeals.

Certainly, most producers would prefer to see the limit placed on the low side only, such as we were required to do in the case of winter wheat because of filing deadlines. However, such a situation would be unacceptable from an actuarial standpoint and seriously jeopardize our ability to comply with the mandate of the 1980 Crop Insurance Act which requires an actuarially sound program.

It should be noted that the procedures published for 1986 winter wheat will apply for one year only. Beginning with 1987 winter wheat, the 7 percent rule will parallel that in other crop policies.

Mr. WATKINS. Is this another tactic by FCIC to discourage farmers from buying the product in order to prove a point that crop insurance is no longer needed?

Mr. SPRAGUE. On the contrary. The 7 percent rule was adopted in an honest attempt to make the insurance product more attractive to a greater number of producers, and avoid widespread cancellations among current insureds who faced the prospect of severe reductions in guarantees.

The management of FCIC believes strongly in the insurance concept, and we fully support this Administration's policy of replacing traditional but costly "disaster" or "emergency" type programs with crop insurance. We remain convinced that crop insurance is a significant and viable risk management option for most commerical agricultural producers.

LICENSING OF MASTER MARKETING COMPANIES

Mr. WATKINS. Are you still requiring licensing of all Master Marketing companies?

Mr. SPRAGUE. The state licensing of the Master Marketing, (MMA) Company was considered and subsequently dropped although the state licensing of the individual agents representing the Master Marketer remains a contract requirement.

Mr. WATKINS. What are you doing to help Master Marketers achieve licensing requirements that you have imposed on them?

Mr. SPRAGUE. Assuming the queston was in reference to agents, the MMA was given the option of licensing their agents in any one of the five lines including: (a) multi-peril crop insurance; (b) crop hail insurance; (c) casualty insurance; (d) property insurance; (e) liability insurance. Additionally, a tally of MMA responses to a 1985 telephone survey, determined 90% of all agents are currently licensed within the states they conduct or solicate business. Of the unlicensed agents, the FCIC has allowed a grace period until July 1, 1986, to become licensed if the agent was certified and actively engaged in the sales or service of crop policies in the 1984 and 1985 crop year.

STATES DEALING WITH LICENSING OF MASTER MARKETERS

Mr. WATKINS. Am I correct in saying that the states do not want to have to deal with the licensing of Master Marketers?

Mr. SPRAGUE. The states approach to licensing of agents selling Federally endorsed crop insurance policies is as varied as the individuality of the fifty states. Although, as reflected in the high percentage of currently licensed agents, the states appear to have experienced minimal problems. Areas where difficulties may arise can be addressed through an active working relationship between the FCIC and the National Association of Insurance Commissioners. It has been our experience, the states welcome the licensing of agents and the assurance offered that insurance is sold and serviced by knowledgeable professionals.

Mr. WHITTEN. Thank you for your testimony.

FEDERAL CROP INSURANCE CORPORATION

Statement of Merritt W. Sprague, Manager,
Federal Crop Insurance Corporation,
United States Department of Agriculture,
before the House Subcommittee on Agriculture,
Rural Development and Related Agencies.

Mr. Chairman and members of the Subcommittee:

It is my pleasure to appear before this Subcommittee to present the 1987 Budget for the Federal Crop Insurance Corporation.

The Federal Crop Insurance Corporation is submitting for fiscal year 1987 budget proposals under proposed legislation and under existing legislation.

Under proposed legislation, Federal costs for administrative expenses and for premium subsidy will be phased out over a five-year period beginning in 1987. Under existing legislation, Federal funding would continue to cover the administrative and premium subsidy expenses of the program.

Under both proposals, program participation is estimated to increase from 48.4 million acres in 1985 to 58.6 million acres in 1986, and to 68.6 million acres in 1987.

I will discuss in detail the budget request under existing legislation.

Fiscal Year 1987 Budget Request

Our budget request for fiscal year 1987 under existing legislation is as follows:

> $239,885,000 for Administrative and Operating Expenses to fund the expanded crop insurance program. About $184.6 million of this amount will be required for reinsurance agreements with private commercial insurance companies, and approximately $3.4 million for commissions paid

under Agency Sales and Service Agreements and loss adjustment costs related to direct writing of crop insurance. Also included in the request is $4.3 million to be reimbursed to ASCS. These amounts total $192.3 million, and account for over 80 percent of the Corporation's total request for administrative expenses.

$124,034,000 for premium subsidy for the 1986 crop year. This amount represents 30 percent of the expected premium, up to the 65 percent level of coverage, as authorized by the Federal Crop Insurance Act, as amended in 1980.

The $124 million would provide for maximum expansion of the crop insurance program to an estimated 58.6 million insured acres in crop year 1986.

Also included is a request for $11.7 million to reimburse the FCIC Fund for interest paid on Treasury borrowing incurred during prior years, but not previously reimbursed.

This represents a total budget request for fiscal year 1987 of $375,628,000 for on-going programs. The total for fiscal year 1987 is $22,412,000 more than the total request for 1986 appropriations for on-going programs.

Administrative and Operating Expenses

The appropriation request for Administrative and Operating Expenses for fiscal year 1987 will allow the Corporation to continue expansion of the crop insurance program. Resources are requested to expand insurance coverage from the crop year 1985 level of 48.4 million insured acres to 58.6 million insured acres in crop year 1986, and to 68.6 million insured acres in crop year 1987.

The major portion of the budget will be used to support private sector delivery systems. Two basic forms of delivery are currently in place: reinsured companies, which provide all of the fundamental insurance services and share underwriting gains and losses; and Agency Sales and Service Contractors who sell and service crop insurance written on FCIC paper.

Of the amount requested for Administrative and Operating Expenses, over $188 million will be used for reinsurance administrative expense, loss adjustment costs, and contractor commissions. About $4.3 million is included as reimbursement to ASCS. The remaining $47.6 million will be used for the expenses of the Federal Crop Insurance Corporation to maintain field actuarial offices, field operations offices, field staff, Kansas City Operations offices, which includes computer support, and the Headquarters staff.

In total, our fiscal year 1987 request for Administrative and Operating Expenses represents an increase of $21.0 million over the fiscal year 1986 appropriations.

Premium Subsidy

The fiscal year 1987 appropriation request of $124,034,000 for premium subsidies represents a decrease of $10,156,000 from the fiscal year 1986 appropriation. This decrease reflects revised estimates of premium levels in crop years 1985 and 1986. However, the crop year 1986 premium of $500.3 million, to which this request bears a direct relationship, will be $60 million higher than crop year 1985.

Reimbursement for Prior Year Costs

The Federal Crop Insurance Act also provides for reimbursement to the Corporation for interest expenses incurred during prior years, but not previously reimbursed.

In fiscal years 1985 and 1986, the Corporation will use $11,709,000 from premium income to pay interest expenses and is requesting an appropriation for restoration in fiscal year 1987.

F.Y. 1987 Budget Request - Proposed Legislation

As I have indicated, the Corporation is also submitting a fiscal year 1987 budget request under proposed legislation.

Under this proposed budget, the crop year 1987 program levels of $585.6 million premium and 68.6 million insured acres are the same as those under existing legislation. The method of funding the crop insurance program, however, is not the same.

Legislation will be proposed to increase the producer's share of premium cost in order to phase out Federal payment of administrative expenses and premium subsidy. The 1987 appropriation request reflects the first year of a five-year phase-out of all Federal operating subsidies. The objective is for the Corporation to become fully privatized by 1991.

Administrative and Operating Expenses total $125,026,000 by direct appropriation. The balance required of $114,859,000 will be paid from premium income.

Federal premium subsidy of $103,338,000 will be required for 1987 under this proposal. This amount assumes the producer's share of the premium cost will be increased beginning in fiscal year 1987.

There is no change under proposed legislation for reimbursement of prior years' interest cost of $11,709,000.

I would now like to review our accomplishments for the past year, and discuss our current plans and projections.

Crop Year 1985 Experience

Federal Crop Insurance is intended to become the primary form of Federal disaster protection for farmers, and eventually replace the many overlapping farm disaster programs. Since enactment of the new legislation in 1980, insurance has expanded from 1,676 counties to over 3,000 counties. County programs have increased almost 300 percent, from 4,629 in 1980 to 18,892 in 1985. Thus, crop insurance is now available in all agricultural counties on the acreage previously covered by disaster payments.

Acres insured, insurance in force, and premium have also increased substantially. In 1980, acres insured were 26.6 million compared with 48 million for the 1985 crop year. Insurance in force has also increased for the same period, from $3 billion in 1980 to over $7 billion in 1985. Premium has increased from $158 million in 1980 to over $440 million in 1985.

The current estimates of crop year 1985 experience for the combined efforts of the public and private sector show total premium amounting to over $443 million, and total indemnities of over $686 million, for a combined loss ratio of 1.55. While premium levels in 1985 were approximately the same as 1984, insured acreage increased by approximately 6 million as a result of producers shifting from the higher cost 75% coverage level to the 65% level.

Based on earlier reports, the budget submission for the crop year 1985 insurance operations reflects premiums for the reinsurance share at $322 million, and indemnities at $483 million, for a loss ratio of 1.50, with the remaining premiums of $118 million handled by master marketers. The indemnities are estimated at $177 million, which also results in a loss ratio of 1.50. However, current estimates show premiums for reinsurance operations at $325 million with indemnities at $471.3 million, for a loss ratio of 1.45, and $118 million in premiums handled by Sales and Service Contractors with indemnities currently estimated at $215.3 million, which results in a loss ratio of 1.82.

There have been several program and administrative changes for crop year 1985 made by the Corporation which should improve the crop insurance program.

Analysis and preparation for expansion in 204 additional county programs was conducted.

Implemented the Actual Production History (APH) Program for individualized coverage on tobacco, peanuts, cotton, and rice.

Eighty percent of the Operations Automation Study initiated in 1984 was completed in F.Y. 1985. This includes the development of operations procedure and computer system design programming, training, and first phase of operations implementation. Feasibility of the system was demonstrated and is now under consideration for full scale implementation.

Significant progress was made in updating the Actuarial Data Base.

Recommendations made by the actuarial consultant, Milliman and Robertson are being implemented.

A compliance review system of commercial insurance companies reinsured by FCIC was designed and is in the process of implementation.

A revised Agency Sales and Service Agreement for Master Marketers was signed, effective through September 30, 1986.

Significant achievements were made in automating office information systems, establishing microcomputer use, and telecommunications.

Efficiency was increased by realigning FCIC districts by premium income.

A formal Washington, D.C. level appeal process was established.

Crop Year 1986 Projections

The fiscal year 1986 appropriations have permitted the Corporation to continue to expand the Federal Crop Insurance Program. In crop year 1986, insurance is offered on 42 major crops, on 19,053 county programs in 49 states and is available in virtually every agricultural county in the United States. Canning peaches and prunes have been approved as new crops to be insured for the 1986 crop year. Total insured acres are estimated at 58.6 million for the current crop year, and premium is expected to be about $500 million.

The Corporation has also made several program and administrative changes for crop year 1986 which should improve the crop insurance program.

Implemented Actual Production History (APH) Program for individualized coverage for all remaining crops.

Established a data base, data base management system, and analytical systems to support a computerized ratemaking system.

Refined procedures and follow-up systems for 30 day document processing.

Developed a financial information reporting system on performance data for commercial companies having reinsurance contracts with FCIC.

Reviewed the risk-sharing and reimbursement options for the 1987 Reinsurance Agreement.

Implemented a tracking system for updates and resolution of investigations, audits, and whistleblower cases.

Reviewed the flow of cash from insureds through Sales and Service Contractors to FCIC.

Established a program with a collection agency to enhance debt collection.

Reviewed the Sales and Service Contractors' operations to assure compliance with the Agency Sales and Service Agreement.

Exhibits

I would like to have two exhibits inserted in the record. The first exhibit is a revised table of the 1985 crop year experience, by commodity, as of February 1986, and reflects the changes that have taken place since the submission of the President's Budget.

The second exhibit shows loss ratios during the 38 years of our existence. The crop insurance program has had 18 years in which premiums have exceeded indemnities and 20 years in which the reverse has been true. The 38-year loss ratio is 1.31.

This concludes my statement. We will be glad to answer any questions or furnish any additional information you may desire.

ESTIMATED CROP INSURANCE EXPERIENCE - 1985
As of February 1986

EXHIBIT I

ALL PROGRAMS
(Dollars in Thousands)

	Amount of Premium			Amount of Indemnities			Loss Ratio		
	Government Operations	Reinsurance Operations	Total	Government Operations	Reinsurance Operations	Total	Government Operations	Reinsurance Operations	Combined
Wheat	29,216	61,140	90,356	85,607	150.450	236,056	2.93	2.46	2.61
Cotton	3,025	17,103	20,128	1,855	8,592	10,447	0.61	0.50	0.52
Combined Crop	346	0	346	212	0	212	0.61	0.00	0.61
Tobacco	8,240	9,995	18,235	5,523	6,424	11,946	0.67	0.64	0.66
Corn	25,191	88,902	114,094	17,208	45,599	62,806	0.68	0.51	0.55
Flax	150	312	462	199	364	563	1.33	1.16	1.22
Bean	824	3,090	3,914	1,965	6,792	8,757	2.39	2.20	2.24
Citrus	1,565	1,022	2,587	5,382	4,907	10,289	3.44	4.80	3.98
Soybean	25.167	66,731	91,897	37.016	112.203	149,219	1.47	1.68	1.62
Barley	5,038	11,206	16,245	19,933	54,897	74,830	3.96	4.90	4.61
Peach	713	1,082	1,795	1,923	3,130	5,054	2.70	2.89	2.82
Grain Sorghum	3,591	11,320	14,911	6,642	17,973	24,615	1.85	1.59	1.65
Oat	537	823	1,360	963	1.182	2,145	1.79	1.44	1.58
Rice	299	835	1,134	960	2,537	3,497	3.21	3.04	3.09
Raisin	260	9,179	9,439	172	740	911	0.66	0.08	0.10
Pea, Green & Dry	304	610	915	194	730	924	0.64	1.20	1.01
Peanut	5.447	10.087	15,533	7,272	8.514	15.786	1.34	0.84	1.02
Potato	1,537	1,996	3,533	2,589	6,732	9,321	1.68	3.37	2.64
Apple	813	968	1,780	2,537	2,430	4,967	3.12	2.51	2.79
Cherry	*	*	*	*	*	*	*	*	*
Tomato	131	3,175	3,306	230	2,096	2,326	1.75	0.66	0.70
Safflower	*	*	*	*	*	*	*	*	*
Sugar Beet	612	1,325	1,937	681	1,094	1,776	1.11	0.83	0.92
Tung Nut	*	*	*	*	*	*	*	*	*
Grape	286	1,779	2,065	383	1,209	1,592	1.34	0.68	0.77
Sugarcane	99	743	842	83	0	83	0.84	0.00	0.10
Puerto Rico Reins	0	2.101	2.101	0	2.096	2.096	*	1.00	1.00
Sunflower	1.429	3.560	4,990	6.310	12.540	18,850	4.41	3.52	3.78
Forage Seeding	2	4	6	1	1	3	0.58	0.28	0.39
Sweet Corn	62	248	310	87	195	283	1.40	0.79	0.91
Forage Production	2	4	6	1	13	14	0.37	3.32	2.23
Rye	9	9	18	14	4	18	1.53	0.49	1.01
Almond	357	3,140	3,497	167	3.583	3,750	0.47	1.14	1.07
Prev Planting	1	0	1	3	0	3	1.95	0.00	1.95
Hybrid Seed	1.077	9.164	10.241	874	5.685	6,559	0.91	0.62	0.64
Citrus Tree	6	287	293	0	192	192	0.00	0.67	0.65
Table Grape	52	1,441	1.493	111	2.206	2.317	2.16	1.53	1.55
Pepper	163	265	428	455	1,040	1,495	2.79	3.92	3.49
Popcorn	55	336	391	117	696	813	2.14	2.07	2.08
Tomato, Fresh	1.336	595	1,931	7.624	4.096	11.720	5.71	6.88	6.07
Walnut	11	87	98	5	1	7	0.48	0.01	0.07
Cotton, ELS	37	45	82	0	0	0	0.00	0.00	0.00
Cranberry	0	185	185	0	39	39	0.00	0.21	0.21
Sweet Corn, Fresh	7	104	111	1	319	321	0.20	3.07	2.98
ALL PROGRAMS	118.000	325.000	443.000	215.300	471.300	686,600	1.82	1.45	1.55

* No Program.

EXHIBIT II

FEDERAL CROP INSURANCE CORPORATION

LOSS RATIOS - BY CROP YEAR

PROGRAM	GOVERNMENT OPERATIONS							REINSURANCE OPERATIONS						TOTAL INSURANCE OPERATIONS						
	1948-80	1981	1982	1983	1984	1985	1948-85	1981	1982	1983	1984	1985	1981-85	1948-80	1981	1982	1983	1984	1985	1948-85
Wheat	1.05	0.97	0.92	1.02	1.56	2.93	1.13	0.79	0.75	0.67	1.63	2.46	1.66	1.05	0.97	0.88	0.89	1.60	2.61	1.22
Cotton	1.57	1.11	1.80	1.66	0.93	0.61	1.51	1.36	2.38	1.83	1.77	0.50	1.43	1.57	1.11	1.88	1.72	1.62	0.52	1.49
Combined Crop	1.18	0.17	0.32	0.62	0.10	0.61	1.12	0.00	0.00	0.00	0.00	0.00	0.00	1.18	0.17	0.32	0.62	0.10	0.61	1.12
Tobacco	1.04	0.99	1.05	3.24	0.48	0.67	1.13	1.58	0.77	2.29	0.50	0.64	0.97	1.04	0.89	0.99	2.97	0.49	0.66	1.12
Corn	1.08	0.59	0.52	2.84	0.96	0.60	0.99	0.38	0.53	2.65	0.85	0.51	0.81	1.08	0.58	0.52	2.76	0.89	0.55	0.94
Flax	0.89	0.90	1.20	0.80	0.79	1.33	0.90	0.00	1.28	1.04	0.84	1.16	1.09	0.89	0.89	1.22	0.88	0.81	1.22	0.91
Bean	0.92	1.01	2.96	1.18	1.00	2.39	1.36	0.11	3.04	1.46	1.06	2.20	1.91	0.92	1.01	2.98	1.35	1.04	2.24	1.52
Citrus	1.40	2.23	0.05	0.00	2.38	3.44	1.48	0.00	0.32	0.00	3.98	4.80	3.67	1.40	2.23	0.08	0.00	2.69	3.93	1.56
Soybean	0.89	1.82	2.12	2.69	1.82	1.47	1.73	0.68	1.17	1.83	1.94	1.68	1.74	0.89	1.80	2.01	2.51	1.88	1.62	1.73
Barley	0.95	0.82	0.68	0.89	1.90	3.96	1.25	0.71	0.46	0.79	2.28	4.90	3.14	0.95	0.82	0.62	0.85	2.11	4.61	1.80
Peach	1.25	0.35	4.16	2.75	1.22	2.70	1.48	0.00	2.28	3.31	0.57	2.09	2.20	1.25	0.35	3.59	3.02	0.87	2.82	1.62
Grain Sorghum	1.05	0.93	1.23	2.31	2.61	1.85	1.30	0.97	0.96	1.72	2.42	1.59	1.81	1.05	0.93	1.15	2.00	2.48	1.65	1.48
Oat	0.85	1.39	0.61	0.80	1.08	1.79	0.95	1.94	0.54	0.71	1.40	1.44	1.14	0.85	1.42	0.59	0.77	1.23	1.58	0.97
Rice	1.47	1.86	3.38	5.33	1.48	3.21	2.63	0.00	1.54	3.79	1.60	3.04	2.49	1.47	1.86	3.35	5.26	1.54	3.09	2.61
Raisin	1.01	0.00	6.28	0.91	0.14	0.66	1.96	0.00	0.00	1.27	0.50	0.00	0.74	1.01	0.00	6.28	1.19	0.45	0.10	1.27
Pea	1.29	0.68	0.73	0.94	1.12	0.64	1.16	0.00	0.32	0.96	0.71	1.20	0.98	1.28	0.68	0.69	0.95	0.91	1.01	1.14
Peanut	1.35	0.62	0.79	2.95	0.86	1.34	1.28	0.00	0.86	3.44	0.79	0.84	1.20	1.35	0.62	0.80	3.07	0.83	1.02	1.27
Potato	2.06	1.36	2.07	2.83	3.17	1.68	2.27	0.00	0.95	2.67	2.09	3.37	2.78	2.06	1.36	1.30	2.77	2.61	2.64	2.49
Apple	1.27	1.54	1.56	1.76	1.05	3.12	1.47	0.00	2.24	0.22	2.68	2.51	2.39	1.27	1.54	1.64	1.51	1.62	2.79	1.59
Cherry	2.61						2.61							2.61						2.61
Tomato	0.75	0.40	2.62	1.11	2.17	1.75	1.49	0.00	0.16	1.45	1.01	0.66	0.95	0.75	0.40	2.56	1.40	1.04	0.70	[illegible]
Safflower	2.50						2.50							2.50						
Sugar Beet	0.78	0.59	0.52	0.75	0.68	1.11	0.74	0.10	0.19	0.31	0.73	0.83	0.64	0.78	0.54	0.41	0.77	0.71	0.92	[illegible]
Tung Nut	0.74						0.74							0.74						0.74
Grape	0.99	0.85	2.28	2.46	1.24	1.34	1.61	0.00	0.00	2.59	0.97	0.68	1.62	0.99	0.85	2.28	2.56	1.00	0.77	1.61
Sugarcane	0.86	1.22	0.80	4.36	0.67	0.84	1.46	0.00	0.00	7.60	2.93	0.00	2.26	0.86	1.22	0.80	4.93	2.33	0.10	1.62
P. Rico Reins.	0.15						0.15			0.31	0.39	1.00	0.56	0.15			0.31	0.38	1.00	0.52
Sunflower	1.03	0.70	1.43	1.11	1.55	4.41	1.29	1.02	1.33	1.06	1.55	3.52	2.11	1.03	0.72	1.40	1.09	1.55	3.78	1.52
Forage Seed.	4.98	4.39	2.67	1.20	2.00	0.58	3.53	0.00	3.00	0.00	1.00	0.28	0.70	4.98	4.38	2.70	1.00	1.67	0.39	3.14
Sweet Corn	0.59	1.12	0.43	1.19	0.42	1.40	0.79	0.00	1.22	2.00	0.49	0.79	0.81	0.59	1.12	0.51	1.39	0.45	0.91	0.80
Forage Prod.	2.00	3.15	2.12	2.71	0.00	0.37	2.13	0.00	2.00	0.00	2.17	3.32	2.85	2.00	3.31	2.12	2.86	1.30	2.23	2.21
Rye	1.00	0.00	0.23	0.59	0.30	1.53	0.51	0.00	1.00	0.10	0.47	0.49	0.51	1.00	0.00	0.47	0.41	0.37	1.08	0.51
Almond		0.02	0.75	3.11	0.00	0.47	0.99	0.00	0.00	3.68	0.01	1.14	1.09		0.02	0.75	3.44	0.01	1.07	1.06
Prev Planting			5.62	1.31	0.40	1.95	4.94		0.00	0.00	0.00	0.00	0.00			5.62	1.31	0.40	1.95	4.94
Hybrid Seed				12.03	2.39	0.81	2.41			15.81	3.25	0.62	1.02				13.23	3.02	0.64	1.21
Citrus Tree				0.00	22.82	0.00	9.50			0.00	21.58	0.67	11.19				0.00	22.39	0.45	10.02
Table Grape					1.21	2.16	1.44				3.24	1.53	2.41					3.04	1.55	2.34
Pepper					1.17	2.79	1.88				1.62	3.92	2.99					1.38	3.49	2.48
Popcorn					3.03	2.14	2.74				3.14	2.07	2.58					3.11	2.08	2.61
Fresh Tomato					7.07	5.71	6.15				3.71	6.88	5.92					6.11	6.07	6.08
Walnut					0.04	0.48	0.19				0.92	0.01	0.55					0.78	0.07	0.50
Cotton, ELS						0.00	0.00					0.00	0.00						0.00	0.00
Cranberry					0.00	0.00	0.00				0.53	0.21	0.34					0.53	0.21	0.34
Sw Corn, Fresh						0.20	0.20					3.07	3.07						2.89	2.98
ALL PROGRAMS	1.10	1.09	1.43	2.24	1.47	1.82	1.28	0.68	0.89	1.70	1.45	1.45	1.41	1.10	1.07	1.32	2.04	1.46	1.56	[illegible]

The crop year 1985 ratios are based on estimates as of February 1986.

FEDERAL CROP INSURANCE CORPORATION

Purpose Statement

The Federal Crop Insurance Corporation is a wholly-owned Government Corporation created February 16, 1938 (7 U.S.C. 1501). The program was amended by P. L. 96-365, approved September 26, 1980, to provide for nationwide expansion of a comprehensive crop insurance program. The purpose of the Corporation is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance.

The Federal Crop Insurance Corporation provides an actuarially sound cost-sharing insurance program for agricultural producers to protect their production investment against unavoidable risks. The expanding crop insurance program constitutes a joint effort by the private insurance industry and the government. The private insurance companies and agents are being utilized in the delivery of the program to the farmers.

Major Activities

The Federal Crop Insurance Program comprises the following major activities:

(1) Underwriting, Actuarial, and Program Development which consists of the development of crop insurance programs and the establisment and maintenance of rates and coverages for crops in each county; (2) Reinsured Companies which covers the insurance companies' costs of insurance marketing, distribution, servicing, training, quality control, and loss adjustment functions. The companies also share with FCIC to a limited extent in both profits and losses; (3) Agency Sales and Service Agreements and Loss Adjustment Contracts consists of what is commonly referred to as master marketing agreements and the loss adjustment contracts associated with direct insurance operations. Under this type of agreement, private insurance companies and associations are offered the opportunity to contract with FCIC to provide insurance sales and services. Also included are amounts necessary for the loss adjustment activities contracted by FCIC, which are associated with these contracts; (4) Compliance consists of reviews of the activities of the reinsured companies to assure compliance and uniformity in loss adjustment procedures, training development, quality control methods utilized and, in general, all service operating facets of the crop insurance program; (5) Program Management and Administrative Support consists of the contract administration and marketing for the dual delivery system of crop insurance as well as administrative support in financial, management services, and personnel management for FCIC.

The 1986 crop insurance program will operate in over 3,000 counties, furnishing insurance coverage of approximately $8 billion on almonds, apples, barley, beans, citrus, citrus trees, combined crop, corn, cotton, cotton (extra long staple), cranberries, flax, forage production, forage seeding, grain sorghum, grapes, grapes (table), hybrid seed, oats, peaches, canning peaches, peanuts, peas (green and dry), green peppers, popcorn, potatoes, prevented planting, prunes, raisins, rice, rye, soybeans, sugar beets, sugarcane, sunflowers, sweet corn, sweet corn (fresh), tobacco, tomatoes (fresh), tomatoes (processing), walnuts and wheat. It is estimated that about 58 million acres will be insured for the 1986 crop year.

General Administration

The various crop insurance programs are planned, developed, and monitored by the FCIC headquarters office located in Washington, D.C. and its national operations office located in Kansas City, Missouri. The program is administered in the field through 18 field operations offices and 11 field actuarial offices. Selling and servicing at the county level is performed primarily by agents operating under agency sales and service agreements (master marketing agreements) and agents of reinsured companies. The adjustment of losses is performed primarily by adjusters and reinsured companies under contract with FCIC. Also, ASCS performs some support on a reimbursable basis for the Corporation.

The Kansas City, Missouri office processes all insurance documents, except those of the reinsured companies, records the detailed accounting and statistical data and prepares the required accounting, statistical, and management reports. This function is essentially all automated.

As of September 30, 1985 there were 1,199 paid employees with 623 being permanent full-time and the remaining being temporary full-time or permanent part-time employees. Of the total paid employees, 60 permanent full-time and 5 others were located in the Washington, D.C. office.

A summary of changes in capital for fiscal year 1985, and estimates for fiscal years 1986 and 1987 follow:

	F.Y. 1985 Actual	F.Y. 1986 Estimate	F.Y. 1987 Estimate
Net capital at beginning of year...	$174,253,224	$133,760,212	$174,688,238
Additions to Capital:			
Subscription to Capital Stock....	50,000,000	0	0
Appropriation (Premium Subsidy)..	110,000,000	134,190,000	124,033,823
Treas CCC Borr & Int Reimb......	113,000,000	250,000,000	11,708,898
Deductions from Capital:			
Repaid Treas. Borr ($113 M)......	0	0	25,000,000
Repaid CCC. Borr ($250 M)........	0	0	0
Subtotal........................	447,253,224	517,950,212	285,430,960
Income:			
Insurance Prem.(farmer) MMA......	137,159,382	90,367,995	56,439,914
Reinsurance Program (incl P.R.)..	262,052,068	322,000,000	425,254,931
Less: Company share of gain......	2,370,406	3,318,319	25,066,888
Amount deferred............	333,354	674,248	0
Premium subsidy............	59,910,112	75,402,590	105,428,750
Subtotal...............	62,613,872	79,395,158	130,495,638
Net Reinsurance (inclcs P.R.)....	199,438,196	242,604,842	294,759,293
Prior yr adjs--Reins (incl P.R.).	-33,044	0	0
Interest and other income........	5,945,418	0	0
Prior year adjustments...........	2,467	0	0
Subtotal, Income.............	342,507,485	332,972,837	351,199,207
Expenses:			
Government Indemnities...........	258,861,641	177,000,000	67,540,489
Prior year Adjustments...........	-2,672,598	0	0
Reinsurance Program (incls P.R.):			
Reinsurance losses..............	382,518,865	483,000,000	382,729,438
Less: share of losses............	5,942,510	12,425,189	0
Net reins losses (incls P.R.)......	376,576,355	470,574,811	382,729,438
Prior yr Adjs--Reins (incls P.R.)..	4,240,410	0	0
Agents' commissions--pr yr adjs..	677,203	0	0
Est. uncollectible premium.........	493,348	2,360,000	1,128,798
Prior year & other adjustments.....	17,415,240	4,609,375	0
Int. on Treas Borr ($113 M)........	408,898	11,300,000	8,800,000
Int. on CCC Borr ($250 M)..........	0	10,390,625	25,000,000
Subtotal, Expenses...............	656,000,497	676,234,811	485,198,725
Net Income or Loss-for the year....	-313,493,012	-343,261,974	-133,999,518
Net capital at end of year.........	133,760,212	174,688,238	151,431,441

Analysis of Capital:

Capital Stock:			
Authorized..............	500,000,000	500,000,000	500,000,000
Unissued................	0	0	0
Issued..................	500,000,000	500,000,000	500,000,000
Treasury Borrowing..........	113,000,000	113,000,000	113,000,000
CCC Borrowing...............	0	250,000,000	250,000,000
Paid-in-Capital:			
Paid-in-surplus.........	37,978,471	37,978,471	37,978,471
Approp.(premium subsidy)	368,148,000	502,338,000	626,371,823
Approp.(agents' comms.).	47,909,000	47,909,000	47,909,000
Approp.(loss Adjustment)	4,632,000	4,632,000	4,632,000
Approp.(Interest Reimb.)	0	0	11,708,898
Cum surplus(+)or deficit(-).	-937,907,259	-1,281,169,233	-1,415,168,751
Redemption of Debt--Treasury Borrowing.................	0	0	-25,000,000
Net capital at end of period	133,760,212	174,688,238	151,431,441

FEDERAL CROP INSURANCE CORPORATION

Available Funds and Staff-Years
1985 Actual and Estimated 1986 and 1987

Item	1985 Actual		1986 Estimated		1987 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Administrative and Operating Expenses..	$200,502,000	1,207	$219,026,000	1,130	$239,885,000	1,025
Subscription to Capital Stock.......	50,000,000	---	---	---	---	---
Borrowing Authority...	113,000,000	---	250,000,000	---	---	---
FCIC Fund:						
Premium Subsidy.....	110,000,000	---	134,190,000	---	124,034,000	---
Restoration of Prior Year Obligations (Interest Expense)	---	---	---	---	a/ 11,709,000	---
Total, FCIC	473,502,000	1,207	603,216,000	1,130	375,628,000	1,025

Full-Time Equivalent Staff-Years:	1985 Actual	1986 Estimated	1987 Estimated
Ceiling...............	1,196	1,100	1,000
Non-ceiling...........	12	30	25
Total.............	1,208	1,130	1,025

a/ This amount represents restoration of funds for prior years' interest expense on Treasury borrowing, paid from premium income, as provided by Section 516(a) of the FCI Act, as amended, for amounts obligated in F.Y.s 1985 and 1986, not previously appropriated.

FEDERAL CROP INSURANCE CORPORATION

Permanent Positions by Grade and Staff-Year Summary
1985 and Estimated 1986 and 1987

Grade	1985			1986			1987		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-6	--	--	--	--	--	--	--	--	--
ES-5	1	--	1	1	--	1	1	--	1
ES-4	1	1	2	1	2	3	1	2	3
ES-3	1	--	1	1	--	1	1	--	1
ES-2	--	--	--	--	--	--	--	--	--
GS/GM-15	2	3	5	4	5	9	4	5	9
GS/GM-14	7	6	13	8	13	21	8	13	21
GS/GM-13	14	47	61	18	57	75	18	57	75
GS-12	42	149	191	52	201	253	52	201	253
GS-11	10	209	219	13	104	117	13	104	117
GS-10	--	1	1	--	1	1	--	1	1
GS-9	9	35	44	5	55	60	5	55	60
GS-8	6	3	9	10	1	11	10	1	11
GS-7	16	33	49	21	25	46	21	25	46
GS-6	22	23	45	17	40	57	17	40	57
GS-5	23	51	74	22	53	75	22	53	75
GS-4	17	35	52	16	21	37	16	21	37
GS-3	--	--	--	--	--	--	--	--	--
GS-2	1	--	1	1	--	1	1	--	1
Total Permanent Positions	172	596	768	190	578	768	190	578	768
Total Staff-Years									
Ceiling..................	150	1,046	1,196	224	876	1,100	224	776	1,000
Non-Ceiling............	4	8	12	5	25	30	5	20	25
TOTAL	154	1,054	1,208	229	901	1,130	229	796	1,025

	1985	1986	1987
Kansas City, Headquarters:			
Total Perm. Positions....	64	64	64
Total Staff-Years........	89	104	104

FEDERAL CROP INSURANCE CORPORATION
CLASSIFICATION BY OBJECTS
1985 and Estimated 1986 and 1987

Administrative and Operating Expenses	1985	1986	1987
Personnel Compensation:			
Headquarters (including K.C., Mo., Headquarters) a/	$ 3,889,598	$ 5,000,000	$ 5,000,000
Field	25,344,310	22,992,000	20,650,000
11 Total Personnel Compensation	29,233,908	27,992,000	25,650,000
12 Personnel Benefits	3,705,328	3,730,000	3,411,000
13 Benefits for Former Personnel	591,002	1,000,000	500,000
Total Personnel Compensation and Benefits	33,530,238	32,722,000	29,561,000
Other Objects:			
21 Travel	4,610,470	6,050,000	5,516,000
22 Transportation of Things	279,652	500,000	456,000
23.2 Communications, Utilities, and Other Rent	3,231,553	3,300,000	3,009,000
24 Printing and Reproduction	1,029,092	1,320,000	1,204,000
25 Other Services	7,702,491	13,139,162	6,139,866
25 ASCS Agreement	16,910,614	6,614,000	4,257,000
25 Reinsurance Admin Expenses	77,782,887	136,081,578	184,581,241
25 Agents' Commissions--MMA'S	17,711,149	11,256,748	1,317,601
25 Reinsurance--Loss Adjustment	25,104,742	0	0
25 Loss adjustment contracting	10,316,829	6,113,512	2,084,292
26 Supplies and Materials	514,139	825,000	752,000
31 Equipment	760,775	1,100,000	1,003,000
32 Lands and Structures	1,232	0	0
42 Insurance Claims and Indemnities	13,531	3,000	3,000
43 Interest and dividends	108,746	1,000	1,000
Total, Other Objects	166,077,902	186,304,000	210,324,000
Total Direct Obligations	199,608,140	219,026,000	239,885,000
Position Data:			
Average Salary, ES positions	$68,533	$68,566	$68,566
Average Salary, GS positions	$28,868	$29,289	$29,875
Average Grade, GS Positions	9.71	9.90	9.90

a/ Headquarters includes all Washington, D.C. employees, and Kansas City, Missouri, employees in Support Services, Personnel, and Finance.

FEDERAL CROP INSURANCE CORPORATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Administrative and Operating Expenses:

> For administrative and operating expenses, as authorized by the Federal Crop Insurance Act, as amended (7 U.S.C. 1516), [$200,502,000] $239,885,000: Provided, That not to exceed $700 shall be available for official reception and representation expenses, as authorized by 7 U.S.C. 1506(i).

ADMINISTRATIVE AND OPERATING EXPENSES - CURRENT LAW

Appropriation Act, 1986	$220,348,000
Budget Estimate, Current Law, 1987	239,885,000
Increase in Appropriation	+19,537,000

Adjustments in 1986:		
Appropriation Act, 1986	$220,348,000	
Less Pro-Rata Reduction, P.L. 99-190	-1,322,000	
Net Appropriations	219,026,000	
Transfer to Departmental Administration and Office of Governmental and Public Affairs for Reimbursable Activities a/	-140,000	
Adjusted base for 1986		$218,886,000
Budget Estimate, Current Law, 1987		239,885,000
Increase over adjusted 1986		+20,999,000

a/ A transfer of $31,000 to Departmental Administration, $100,000 to Office of General Council, and $9,000 to Office of Governmental and Public Affairs is to fund activities previously financed on a reimbursable basis as a direct appropriation in F.Y. 1987.

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW

(On basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Change	1987 Estimated
Underwriting, Actuarial and Program Development	$24,931,000	-$10,604,000	$14,327,000
Reinsured Companies	136,892,000	+48,976,000	185,868,000
Agency Sales and Service Agreements and Loss Adjustment Contracts	33,896,000	-17,574,000	16,322,000
Compliance	4,079,000	+11,000	4,090,000
Program Management and Administrative Support	19,088,000	+190,000	19,278,000
Total Available	218,886,000	+20,999,000	239,885,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985 Actual		1986 (Est.)		Increase or Decrease	1987 (Est.)	
	Amount	Staff-Years	Amount	Staff-Years		Amount	Staff-Years
1. Underwriting, Actuarial and Program Development	$ 26,028,805	220	$ 24,931,000	210	(1) -$10,604,000	$ 14,327,000	210
2. Reinsured companies	103,237,496	8	136,892,000	17	(2) +48,976,000	185,868,000	17
3. Agency Sales & Service Agreements & Loss Adjust. Contr.	49,527,155	632	33,896,000	487	(3) -17,574,000	16,322,000	382
4. Compliance	1,277,854	16	4,079,000	100	(4) +11,000	4,090,000	100
5. Program Management & Administrative Sup.	19,536,830	332	19,088,000	316	(5) +190,000	19,278,000	316
Unobligated balance	893,860	---	---	---	---	---	---
Total available or estimate	200,502,000	1,208	218,886,000	1,130	+20,999,000	239,885,000	1,025
Transfer for Reimbursable Activ.	---	---	140,000	---			
Total, appropriation	200,502,000	1,208	219,026,000	1,130			

EXPLANATION OF PROGRAM

The appropriation, "Administrative and Operating Expenses," of the Federal Crop Insurance Corporation, funds the activities authorized by the Federal Crop Insurance Act, as amended (7 U.S.C. 1501-1520).

The Corporation's long-term objective is to provide the maximum number of farm producers with crop insurance coverage, on an actuarially sound basis, as protection against risks and economic losses resulting from uncontrollable natural hazards.

The fiscal year 1987 appropriation request for administrative and operating expenses will enable the Corporation to provide for growth in the expanded crop insurance program that will provide farmer participation at about 25 percent of the potentially insurable acreage. The current program provides a subsidy to those insured equal to about 25 percent of the premium. The President's budget proposes legislation for later transmittal to phase out the administrative and operating expenses and Federal subsidy costs over five years beginning in fiscal year 1987.

The major portion of administrative and operating expenses is to provide for the program delivery systems which will be accomplished through the use of the private sector as provided by the Federal Crop Insurance Act under Section 507(c). The delivery systems are:

(1) Reinsured companies which enable the insurance companies to provide the insurance marketing, distribution, servicing, training, quality control, and loss adjustment functions. The companies also share with FCIC in both profits and losses. It is estimated that reinsured companies will handle insurance sales amounting to over 98 percent of the premium during crop year 1987.

(2) Agency Sales and Service Agreements which are known as the "Master Marketing Agreements." Under this type of agreement, private insurance companies and associations are offered the opportunity to contract with FCIC to provide insurance sales and services. They are compensated on a commission basis. It is estimated that for crop year 1987, less than 2 percent of the premium will be handled under this delivery system.

(3) Existing ASCS Offices, upon request from FCIC, will sell and service all-risk crop insurance in existing county offices where an adequate private sales and service force is unavailable, and, in addition, will provide some assistance in collecting and validating yield data for FCIC's Actual Production History and/or Individual Yield Coverage Plans.

The activities carried out by the Corporation are as follows:

Underwriting, Actuarial and Program Development covers the underwriting function which makes determinations with respect to establishment of insurance coverages and premium rates for different crops and farming practices (summer fallow, continuous cropping, irrigation, etc.,) in each county. Also, in each county, insurance coverages and premium rates are broken down by areas to reflect variation in productivity and in risk of loss. Crop insurance coverages must be established and maintained for each crop in each county.

Field underwriters review and recommend revision of local area rates and coverages each year to refine the actuarial structure. In addition, new programs are researched and developed, and existing ones are reviewed for improvement of contract provisions and proposals.

Reinsured Companies - The reinsurance agreement enables the reinsured companies to provide the insurance marketing, distributuion, servicing, training, quality control, and loss adjustment functions. The companies also share with FCIC in both profits and losses.

Agency Sales and Service Agreements and Loss Adjustment Contracts - Under Agency Sales and Service Agreements, companies and associations are offered the opportunity to contract with FCIC to provide limited insurance sales and services. This activity also consists of the loss adjustment work performed by adjusters under contract with FCIC. It does not include the loss adjustment functions of the reinsured companies.

Compliance - This activity consists of reviews of the activities of the reinsured companies to assure compliance and uniformity in loss adjustment procedures, training development, quality control methods utilized, and, in general, all service operating facets of the crop insurance program.

Program Management and Administrative Support - This activity includes all management and administrative support functions in both Washington, D.C. and Kansas City, Mo. Included are the following functions; the contract administration and marketing for the dual delivery systems, as well as the administrative support functions of finance, budget, management services, and personnel management for the Corporation.

The following table summarizes the planned level of crop insurance operations for crop years 1985, 1986, and 1987:

	Crop Year 1985	Crop Year 1986	Crop Year 1987
Premiums (000)..............	$440,000	$500,300	$585,600
Government Operations.....	($118,000)	($75,045)	($8,784)
Reinsurance Operations a/.	($322,000)	($425,255)	($576,816)
Premium Subsidy included above (000)........	$103,035	$124,034	$151,281
Insurance in Force (000)....	$7,104,000	$8,379,000	$9,809,000
Insured Acres (000).........	48,400	58,600	68,600
Counties.....................	3,012	3,012	3,012
County Programs.............	18,801	19,000	19,200

a/ Includes amounts that will appear on the books of the reinsured companies. The Corporation's records will only reflect the net reinsurance income and net reinsurance losses.

The following table indicates the premium levels by delivery system for crop years 1986 and 1987:

Delivery Mode	Crop year 1986	Crop year 1987	Increase or Decrease
	(In Thousands of Dollars)		
Reinsured Companies......	425,255	576,816	151,561
Percent of Total.......	85%	98%	
Master Marketing Agreements............	75,045	8,784	-66,261
Percent of Total......	15%	2%	
Total Premium...........	500,300	585,600	85,300

OIG Reports

#05099	Monitoring of FCIC 1983 Crop Year Plan to Confirm Soybean Planting Completion Dates and Acreages and Compliance with Soil Test Requirements - COMPLETE 10/16/84
#599-13-KC	FCIC's Premium Billing, Collection and Debt Management Activities - RESOLVED/CLOSED 1/21/85
#599-16-KC	Reinsurance Program - RESOLVED/CLOSED 2/4/85
#599-22-KC	FCIC Actuarial Practices and Procedures - All five recommendations - RESOLVED/INCOMPLETE as of 1/23/85

#5099-8-AT	FCIC Reinsurance Activities in Mississippi - RESOLVED/CLOSED, 10/21/85 - FCIC responded to recommendation and further advised OIG that matter was being referred to ASCS for a response. Currently awaiting response from ASCS & OIG.
#05607-1-FM	Fast Report, 06/10/85; UNRESOLVED/OPEN RE: Crop Reinsurance Operations
#05099-4-SF	Discussion Draft, 5/28/85 - Recommendation Nos. 1-14 Official Draft, 8/5/85 - Recommendation Nos. 1-14 Official Audit Report, 11/6/85 - Recommendation Nos. 8 and 9 - RESOLVED/CLOSED, 11/6/85; RECOMMENDATION NOS. 1- RESOLVED/OPEN, 11/6/85; RECOMMENDATION NOS. 2-7 and 10-14 - UNRESOLVED/OPEN, 11/6/85 RE: Audit of Federal Crop Insurance Corporation Raisin Losses in California (1983 and 1984)
#05099-7-TE	Discussion Draft, 6/13/85 - Recommendation Nos. 1-10 Official Audit Report, 9/30/85 - Recommendation Nos. 1-10 -UNRESOLVED/OPEN RE: Audit of Indemnity Payments for 1983 Soybean Losses in Arkansas and Louisiana 11/27/85 - FCIC responsed to audit. Awaiting OIG.
05099-29-KC	Fast Report, 12/20/85 - UNRESOLVED/OPEN RE: Survey of Payments Made Through the Miscellaneous Payment System.
50099-1-FM	Fast Report, 5/8/85 - UNRESOLVED/OPEN RE: Use of Automated Data Processing (ADP) Technical Service Contracts 5/9/85 - FCIC responsed to OIG. Awaiting OIG.
*05099-31-FM	Official Draft Report, 3/13/85; Official Survey Report, 5/22/85 - Recommendation Nos. 1 and 2; RESOLVED/CLOSED, 7/29/85 RE: Survey of the FCIC late Planting Agreement Option
#05099-7-AT	Utilization of leased vehicles in the Columbia, South Carolina Field Operations office - Discussion Draft, Undated; Official Audit Report, 10/23/84; Recommendation No. 1 - RESOLVED/CLOSED, 10/23/84; Recommendation No. 2 - RESOLVED/CLOSED, 10/8/85. Recommendation No. 2 is currently pending revised procedures to be implemented by FCIC's Management Support Division.
#599-26-KC	Audit of FCIC Actuarial Practices and Procedures- Phase II- Draft Report, 12/15/84; Official Audit Report, 3/20/84 - RESOLVED/CLOSED 6/11/85 RESOLVED. Recommendation contained in subject audit is currently pending FCIC response.
#599-28-KC	Audit of FCIC's Debt Management Activities - Discussion Draft, 1/8/84; Official Draft Report, 2/28/84, RESOLVED/CLOSED 2/2/85
#05099-30-KC	Individual Yield Coverage Program and Cotton and Rice Coverage Program-Draft Interim Audit Report No. 1, 9/17/84; conditions A-D - COMPLETE 10/16/84. OFFICIAL DRAFT REPORT, COMPLETE 10/22/85 8/85; OFFICIAL AUDIT REPORT; 1/14/86 - ALL 5 REC. UNRESOLVED/OPEN

#05099-5-TE Survey of Indemnity Payments and Causes for High Loss Ratios for Soybeans in Southwest for 1982 Crop Year. Official Draft, 2/6/84; Official Report, 4/17/84 - Recommendation Nos. 1, 2, and 8 - RESOLVED /CLOSED 2/5/85; Recommendation Nos. 3, 4, and 5 - RESOLVED/CLOSED as of 11/2/84; Recommendation Nos. 6, 7, and 9 - RESOLVED/CLOSED, 6/26/84; 12/19/84 - FCIC responded to Recommendation Nos. 1, 2, and 8. Awaiting OIG's response.

GAO Reports

GAO Final Report RCED-84-65, 3/14/84 - INCOMPLETE
RE: More Attention Needed in Key Areas of the Expanded Crop Insurance Program

5/7/84 - FCIC responded to GAO Report.

9/10/85 - An update on the recommendations provided GAO. Another update is due the 2nd Quarter of FY 1986.

GAO Letter Report RCED-85-155, 7/26/84 - COMPLETE
RE: Information on the FCIC's 1986 Standard Reinsurance Agreement

Informational Report. Report did not contain any recommendations; therefore, no comments were required.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of $10,604,000 in the Administrative and Operating Expenses for underwriting, actuarial and program development ($24,931,000 available in FY 1986), consisting of:

(a) A decrease of $2,357,000 in the reimbursable work performed by ASCS for the Corporation.

(b) A decrease of $8,247,000 due to contract work in FY 1986 not being required in FY 1987.

Need For Change. The F.Y. 1986 level of work estimated to be done either by ASCS or by contractors will not be required in F.Y. 1987.

Nature of Change. During fiscal year 1987, it is assumed that the underwriting, actuarial and program development functions will be performed in over 3,000 counties covering approximately 19,200 county programs. Contracts planned in F.Y. 1986 but not being implemented or carried over to F.Y. 1987 are as follows:

1. Actual Production History (APH) related contracting activities were largely labor intensive costs for initial compilation of 10-year production statistics and establishment of yield guarantees for approximately 500,000 crop policies. Costs also included hardware and software development and acquisition necessary for the automated calculation and computer generation of yield guarantees.
2. Contracts with universities to develop statistical basis for development of rates and coverages for crops to be insured in future years.
3. Contractor assistance in further development of automated actuarial rate making models.
4. Review of all Milliman and Robertson recommendations to determine both the effectiveness of implementation by the Corporation, and the appropriatness of the recommendations to the crop insurance program as it is now structured.
5. Contract with a long-range weather forecasting organization to determine whether there is any positive correlation between weather patterns and our historical loss experience.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1986 and 1987:

Function	1986		1987		Change 1987 over 1986	
	Staff-Years	Cost	Staff-Years	Cost	Staff-Years	Cost
1. Actuarial analysis & program development.	78	$12,005,000	78	$3,758,000	0	-$8,247,000
2. Field underwriting....	132	6,312,000	132	6,312,000	0	0
3. ASCS Agreement........	0	6,614,000	0	4,257,000	0	-2,357,000
Total....................	210	24,931,000	210	14,327,000	0	-10,604,000

(2) An increase of $48,976,000 in the Administrative and Operating Expenses for reinsured companies ($136,892,000 available in 1986), consisting of:

(a) An increase of $48,975,000 is due to additional reinsurance administrative expense reimbursement necessary to support the increased premium volume to be handled by the reinsured companies.

(b) A slight increase of $1,000 is for increased costs associated with the staff functions directly related to reinsured companies.

Need For Change . The expanding nationwide crop insurance program will require more reinsurance administrative expenses for the higher premium levels in fiscal year 1987 than was required in fiscal year 1986. Total premium is expected to increase from $500.3 million in fiscal year 1986 to $575.6 million in fiscal year 1987. The reinsured company premium sales are projected to increase from $425 million in 1986 to $577 million in 1987, or over 98 percent of the total premium. This increase in premium sales accounts for $48,975,000 or all but $1,000 of the increase in this activity.

Nature of Change. This activity primarily funds the administrative expense reimbursement to reinsured companies. During fiscal year 1987, the reinsured companies will handle over 67 million of the total 68.6 million insured acres, and will provide the farmers with over $9.6 billion of crop insurance protection.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1986 and 1987:

Function	1986		1987		Change 1987 over 1986	
	Staff-Years	Cost	Staff-Years	Cost	Staff-Years	Cost
1. Reinsurance Administrative Expenses	0	$136,082,000	0	$185,057,000	0	$48,975,000
2. Other	17	810,000	17	811,000	0	1,000
Total	17	136,892,000	17	185,868,000	0	48,976,000

(3) A decrease of $17,574,000 in the Administrative and Operating Expenses for agency sales and service agreements and loss adjustment contracts ($33,896,000 available in 1986), consisting of:

(a) A decrease of $9,939,000 is due to less commissions being required in 1987 for the level of business estimated to be handled under the Agency Sales and Service Agreement.

(b) A decrease of $4,030,000 for loss adjustment contracts is due to the lower level of contractors estimated for the 1987 program.

(c) A decrease of $3,605,000 is due largely to a decrease in staff years required in fiscal year 1987 which is a direct result of the decline in premium estimated to be handled under the Agency Sales and Service Agreement.

Need For Change. A lower amount of funds will be required in this activity in fiscal year 1987 due to anticipated lower premium income estimated for Agency Sales and Service Agreements, from $75 million in 1986 to less than $9 million in 1987.

Nature of change. Since this activity funds administrative expenses directly related to the master marketing delivery system (Agency Sales and Service Agreements), and due to the projected lower level of business to be handled by master marketers, the required funding level for this activity will be $17,574,000 lower than that required in fiscal year 1986.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1986 and 1987:

Function	1986		1987		Change 1987 over 1986	
	Staff-Years	Cost	Staff-Years	Cost	Staff-Years	Cost
1. Agency Sales and Service Agreements...........	0	$11,257,000	0	$1,318,000	0	-$9,939,000
2. Loss adjustment contracts (MMA's)	0	6,114,000	0	2,084,000	0	-4,030,000
3. Other............	487	16,525,000	382	12,920,000	-105	-3,605,000
Total................	487	33,896,000	382	16,322,000	-105	-17,574,000

(4) An increase of $11,000 in the Administrative and Operating Expenses for compliance ($4,079,000 available in 1986).

Need for change. The slight increase in the cost of the compliance activity over the F.Y. 1986 level results from inflationary increases to the maximum extent possible which have already been offset by management savings.

Nature of change. This activity funds the compliance staff as well as the field compliance offices, which consists of reviews of the activities of the reinsured companies to assure compliance and uniformity in loss adjustment procedures, training development, quality control methods utilized, and, in general, all service operating facets of the crop insurance program.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1986 and 1987:

Function	1986		1987		Change 1987 over 1986	
	Staff-Years	Cost	Staff-Years	Cost	Staff-Years	Cost
1. Compliance staff..	0	$351,000	0	$351,000	0	$0
2. Field compliance offices.........	94	3,728,000	94	3,728,000	0	0
3. Other............	0	0	0	11,000	0	+11,000
Total................	94	4,079,000	94	4,090,000	0	+11,000

(5) An increase of $190,000 in the Administrative and Operating Expenses for program management and administrative support ($19,088,000 available in 1986).

Need for change. The $190,000 increase in this activity is for other administrative cost increases due to an expanded crop insurance program. Any inflationary increases have been offset to the greatest extent possible by management savings.

Nature of change. This activity primarily funds all management and administrative support functions in both Washington, D.C. and Kansas City, Mo. Included are the following functions; the contract administration and marketing for the dual delivery systems, as well as the administrative support in finance, budget, management services, and personnel management for the Corporation.

The following table reflects the cost and staff-year distribution of this activity for fiscal years 1986 and 1987.

Function	1986		1987		Change 1987 over 1986	
	Staff-Years	Cost	Staff-Years	Cost	Staff-Years	Cost
1. Headquarters......	198	$11,680,000	198	$11,820,000	0	+$140,000
2. Kansas City.......	118	7,408,000	118	7,458,000	0	+50,000
Total................	316	19,088,000	316	19,278,000	0	+190,000

Federal Crop Insurance Corporation
Summary of Proposed legislation

ADMINISTRATIVE AND OPERATING EXPENSES - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1987	$239,885,000
Change due to proposed legislation	-114,859,000
Net Request, President's 1987 Budget Request	125,026,000

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

	1987		
Item of Change	Current Law	Program Changes	President's Request
Underwriting, Actuarial and Program Development	$14,327,000	-$6,860,000	$7,467,000
Reinsured Companies	185,868,000	-88,995,000	96,873,000
Agency Sales & Service Agreements and Loss Adjustment Contracts	16,322,000	-7,815,000	8,507,000
Compliance	4,090,000	-1,959,000	2,131,000
Program Management & Administrative Support	19,278,000	-9,230,000	10,048,000
Total Available	239,885,000	-114,859,000	125,026,000

Explanation of Proposed Legislation

Legislation will be proposed to increase the producer's share of premium cost in order to phase out Federal payment of administrative expenses and premium subsidy over a five-year period beginning in 1987. The objective is to fully privatize the delivery of crop insurance by 1991. This proposed legislation and the phase out of administrative expenses would result in a reduction of 200 staff-years being funded from Administrative and Operating Expenses or a total of 800 staff-years funds.

UNITED STATES DEPARTMENT OF AGRICULTURE

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1985 and Estimated 1986 and 1987

AGENCY: FEDERAL CROP INSURANCE CORPORATION

LOCATION	1985		1986		1987	
Appropriation Financial Project	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Administrative and Operating Expenses:						
ALABAMA................	$3,396,124	25	$3,726,499	20	$4,081,393	19
ALASKA.................	49,276	0	54,070	0	59,219	0
ARIZONA................	232,242	2	254,834	1	279,104	1
ARKANSAS...............	6,317,287	35	6,931,832	30	7,591,987	27
CALIFORNIA.............	9,472,624	57	10,394,120	49	11,384,007	43
COLORADO...............	2,220,176	13	2,436,155	11	2,668,162	10
CONNECTICUT............	87,580	0	96,100	0	105,252	0
DELAWARE...............	137,758	1	151,159	0	165,555	0
DISTRICT OF COLUMBIA...	10,241,199	67	11,237,462	125	12,307,665	125
FLORIDA................	2,324,739	15	2,550,889	13	2,793,824	12
GEORGIA................	4,375,798	43	4,801,475	37	5,258,745	33
IDAHO..................	1,024,588	4	1,124,260	4	1,231,329	3
ILLINOIS...............	6,978,184	40	7,657,021	34	8,386,240	30
INDIANA................	4,149,938	25	4,553,644	22	4,987,311	19
IOWA...................	16,182,089	107	17,756,281	91	19,447,305	81
KANSAS.................	8,856,161	45	9,717,687	38	10,643,154	34
KENTUCKY...............	3,326,723	22	3,650,346	19	3,997,988	17
LOUISIANA..............	3,547,902	19	3,893,042	17	4,263,796	15
MAINE..................	520,195	2	570,800	1	625,160	1
MARYLAND...............	260,820	1	286,193	1	313,448	1
MASSACHUSSETTS.........	132,744	0	145,657	0	159,529	0
MICHIGAN...............	464,353	2	509,525	2	558,050	2
MINNESOTA..............	7,161,823	60	7,858,524	51	8,606,933	45
MISSISSIPPI............	3,975,179	28	4,361,884	24	4,777,289	21
MISSOURI...............	23,573,983	128	25,867,258	136	28,330,733	133
MONTANA................	8,879,299	41	9,743,076	35	10,670,961	31
NEBRASKA...............	12,320,926	73	13,519,504	62	14,807,038	55
NEVADA.................	16,781	0	18,413	0	20,167	0
NEW HAMPSHIRE..........	3,695	0	4,054	0	4,441	0
NEW JERSEY.............	80,291	0	88,102	0	96,492	0
NEW MEXICO.............	431,063	3	472,997	2	518,043	2
NEW YORK...............	484,087	1	531,179	1	581,766	1
NORTH CAROLINA.........	8,100,821	53	8,888,868	45	9,735,402	40
NORTH DAKOTA...........	9,999,998	77	10,972,797	66	12,017,794	59
OHIO...................	2,044,429	13	2,243,311	11	2,456,953	10
OKLAHOMA...............	2,319,820	14	2,545,492	12	2,787,912	11
OREGON.................	651,631	3	715,022	3	783,117	2
PENNSYLVANIA...........	889,872	3	976,439	3	1,069,430	2
RHODE ISLAND...........	2,427	0	2,663	0	2,917	0
SOUTH CAROLINA.........	3,271,944	21	3,590,238	18	3,932,156	16
SOUTH DAKOTA...........	3,565,490	19	3,912,341	16	4,284,933	14
TENNESSEE..............	682,567	5	748,967	5	820,295	4
TEXAS..................	21,745,912	110	23,861,352	94	26,133,794	83
UTAH...................	347,857	2	381,696	1	418,047	1
VERMONT................	21,526	0	23,620	0	25,870	0
VIRGINIA...............	1,851,871	15	2,032,021	13	2,225,541	11
WASHINGTON.............	1,873,602	8	2,055,866	7	2,251,657	6
WEST VIRGINIA..........	30,594	0	33,570	0	36,767	0
WISCONSIN..............	613,025	4	672,660	3	736,721	3
WYOMING................	369,127	2	405,036	2	443,609	2
TOTAL ADMINISTRATIVE & OPERATING EXPENSES	$199.608.140	1.208	$219.026.000	1.125	$239.885.000	1.025

FEDERAL CROP INSURANCE CORPORATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Federal Crop Insurance Corporation Fund

For payments as authorized by section 508(b) of the Federal Crop Insurance Act, as amended, [$134,190,000] $135,743,000.

FEDERAL CROP INSURANCE CORPORATION FUND - CURRENT LAW

Appropriation Act, 1986		$135,000,000
Budget Estimate, Current Law, 1987		135,743,000
Increase in Appropriation		+743,000
Adjustments in 1986:		
Appropriations Act, 1986	$135,000,000	
Less Pro-Rata Reduction, P.L. 99-190	-810,000	
Net Appropriations		134,190,000
Budget Estimate, Current Law, 1987		135,743,000
Increase over adjusted 1986		+1,553,000

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of adjusted approppriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
FCIC FUND:			
1. Premium Subsidy	$134,190,000	-$ 10,156,000	$124,034,000
2. Interest Expense Reimbursement	0	+11,709,000	11,709,000
Total, FCIC Fund	134,190,000	+1,553,000	135,743,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

	1985 Actual		1986 Estimated		Increase or Decrease	1987 Estimated	
	Amount	SY	Amount	SY		Amount	SY
FCIC FUND:							
Premium Subsidy	$110,000,000	---	$134,190,000	---	(1) -$10,156,000	$124,034,000	---
Interest Expense Reimbursement	---	---	---	---	(2) +11,709,000	11,709,000	---
Total, FCIC Fund	110,000,000	---	134,190,000	---	+1,553,000	135,743,000	---

Explanation of Program

The Federal Crop Insurance Act of 1980, as amended, authorizes the payment of up to 30 percent of the adjusted insurance premium paid by the agricultural producers participating in the program. Subsidies will be paid by the Corporation based upon 30 percent of each producer's premium (reduced, where applicable, for hail and fire exclusion or state agency subsidy) on any coverage under the Corporation's policy of insurance of up to a maximum of 65 percent of the recorded or appraised producer's cost of insuring against loss, and encourages the broadest possible participation of agricultural producers in the program.

The Act also provides for reimbursement to the Corporation for expenses, including expenses incurred during prior years, but not previously reimbursed. The $11,709,000 requested is for interest expenses incurred in 1985 ($408,898) and 1986 ($11,300,000).

The extreme weather conditions of 1984 and 1985 resulted in a large cash drain on the Corporation's revolving fund. Therefore, the Corporation is proposing to exercise its new authority recently provided in the 1985 Farm Bill to use the funds of the Commodity Credit Corporation. The Corporation currently estimates that not to exceed $250 million will be requested in fiscal year 1986.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of $10,156,000 for premium subsidy ($134,190,000 available in F.Y. 1986).

Need for change. The Federal Crop Insurance Act, as amended, authorizes the Corporation to subsidize producers' premiums. The purpose of the subsidy is to encourage the broadest possible participation of farm producers in the crop insurance program.

Nature of Change. This appropriation provides funding to cover the federal subsidy for producer premiums incurred on the preceding crop year. The $135 million subsidy amount appropriated for crop year 1985 (fiscal year 1986) was to cover an estimated program level of $540 million in premium; however, preliminary crop year 1985 results are at a $440 million premium level. Therefore, although we are reflecting an increase in program level from $440 million to an estimated $500 million, the subsidy request is reduced from a level estimated at $540 million in crop year 1985 to $500 million in crop year 1986 reflecting a decrease of $10 million in subsidy appropriation.

(2) An increase of $11,709,000 for interest expense reimbursement (nothing available in F.Y. 1986).

Need for Change. The FCI Act allows for reimbursement to the Corporation for interest obligations incurred during prior years, but not previously reimbursed.

Nature of Change. This increase is necessary to reimburse the Corporation's revolving fund for interest expenses which were paid from premium income (i.e., FCIC Fund) in prior years but not previously reimbursed.

Federal Crop Insurance Corporation
Summary of Proposed Legislation

FEDERAL CROP INSURANCE CORPORATION FUND - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1987	$135,743,000
Change due to proposed legislation	-20,696,000
Net Request, President's 1987 Budget Request	115,047,000

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

Item of Change	1987 Current Law	Program Changes	President's Request
FCIC FUND:			
1. Premium Subsidy	$124,034,000	-$20,696,000	$103,338,000
2. Interest Expense Reimbursement	11,709,000	0	11,709,000
Total, FCIC Fund	135,743,000	-20,696,000	115,047,000

Explanation of Proposed Legislation

The program for 1987 is the first year of a proposed five-year phaseout of all Federal premium subsidy and also the first year in which it is proposed that a portion of the administrative and operating expenses be paid from producer premium in the FCIC Fund.

UNITED STATES DEPARTMENT OF AGRICULTURE

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1985 and Estimated 1986 and 1987

AGENCY: FEDERAL CROP INSURANCE CORPORATION

LOCATION	1985		1986		1987	
Appropriation Financial Project	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
UNDISTRIBUTED:						
Federal Crop Insurance						
Crop Insurance Fund:						
Premium Subsidy....	$135,000,000	---	$124,034,000	---	$151,281,000	---
All Other..........	656,000,000	---	676,235,000	---	485,199,000	---
TOTAL, FCIC FUND.	791,000,000 *	---	800,269,000 *	---	636,480,000 *	---

* Because of the unpredictability of the location of sales and losses, it is impractical to estimate the State cost distribution at this time for the current and budget year.

SUBSCRIPTION TO CAPITAL STOCK

Appropriation Act, 1986	$0 a/
Budget Estimate, 1987	0
Increase in Appropriation	0

a/ FCIC is requesting a transfer of not to exceed $250 million from the Commodity Credit Corporation in order to place the Corporation on a sound financial basis so that contractual commitments to insured producers can be met.

PROJECT STATEMENT
(on basis of appropriation)

Project	1985 Actual		1986 Estimated		1987 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Subscription to Capital Stock	$50,000,000	0	$0	0	$0	0

EXPLANATION OF PROGRAM

The Federal Crop Insurance Act of 1980, as amended, approved September 26, 1980, authorized the capitalization of the Federal Crop Insurance Corporation of up to $500 million of capital stock. Under provisions of the Act, the Secretary of the Treasury can purchase up to $500 million of capital stock issued by the Corporation. Through 1985, the Corporation has subscribed to the entire $500 million authorization.

FEDERAL CROP INSURANCE CORPORATION

STATUS OF PROGRAM

The Federal Crop Insurance Corporation is a wholly-owned Government Corporation which provides all-risk crop insurance protection against unavoidable causes of loss. From 1948 through 1980, the program operated in selected counties on a limited basis. For crop year 1981, the program was in operation in 1,928 counties throughout the United States. The crop insurance program was expanded nationwide effective with crop year 1982 to nearly all counties with acreage devoted to the six disaster crops of wheat, corn, barley, grain sorghum, cotton and rice.

SUMMARY OF GOVERNMENT OPERATIONS 1948-1984:

Excluding reinsurance operations, during the thirty-seven year period, indemnities of $3,091.4 million exceeded premium income of $2,466.6 million by $624.8 million.

Wheat continues to be a dominant crop in the corporation's cumulative experience. The cumulative wheat premium of $689.5 million is 28 percent of the total premium. Likewise, cumulative indemnities on wheat amounted to $727.7 million or 24 percent of the total indemnities of $3,091.4 million for the period 1948 through 1984. The loss ratio for wheat for the period was 1.06 as compared with 1.25 for all commodities (includes Puerto Rico reinsurance).

The number or counties in which crop insurance is offered has increased from 324 in 1948 to 3,010 in 1984.

The following tables summarize the government insurance operations:
(1) crop year 1984 by crop; (2) crop year 1984 experience by state;
(3) crop years 1948 through 1984 by crop; and (4) crop years 1939 through 1984, showing premiums and indemnities as a percent of insurance protection.

GOVERNMENT OPERATIONS - SUMMARY OF 1984 CROP YEAR EXPERIENCE BY CROP
(DOLLARS IN THOUSANDS)

Crop	No. of Crops Insured	Amount of Protection	Premiums	Indemnities	Premiums Compared with Indemnities a/	Loss Ratio
Almond........	133	7,468	557	0	557	0.00
Apple.........	239	7,263	661	695	-34	1.05
Barley........	7,461	64,482	5,258	10,010	-4,752	1.90
Bean..........	881	12,430	935	936	-1	1.00
Citrus........	1,036	32,216	2,979	7,099	-4,120	2.38
Citrus Tree...	189	14,293	544	12,416	-11,872	22.82
Combined Crop.	573	11,035	399	38	361	0.10
Corn..........	38,644	587,891	37,054	35,692	1,362	0.96
Cotton........	2,397	76,665	6,285	5,834	451	0.93
Flax..........	722	1,476	196	155	41	0.79
Forage Prod...	20	51	4	0	4	0.00
Forage Seed...	56	55	4	8	-4	2.00
Grain Sorghum.	5,584	51,419	4,730	12,362	-7,632	2.61
Grape.........	214	6,062	441	546	-105	1.24
Grape, Table..	23	2008	159	192	-33	1.21
Hybrid Seed...	243	6,872	388	923	-535	2.38
Oat...........	4,345	7,332	721	778	-57	1.08
Pea...........	546	3,411	296	332	-36	1.12
Peach.........	131	6,371	607	740	-133	1.22
Peanut........	4,983	151,818	9,270	7,937	1,333	0.86
Pepper........	14	2,177	211	247	-36	1.17
Popcorn.......	109	1,903	115	348	-233	3.03
Potato........	200	22,614	1,251	3,962	-2,711	3.17
Prev. Planting	25	151	5	2	3	0.40
Raisin........	642	17,993	1,417	193	1,224	0.14
Rice..........	439	20,335	634	936	-302	1.48
Rye...........	69	183	20	6	14	0.30
Soybean.......	38,920	521,086	47,310	85,941	-38,631	1.82
Sugar Beet....	279	13,284	664	451	213	0.68
Sugarcane.....	33	5,880	236	159	77	0.67
Sunflower.....	2,782	26,598	2,191	3,393	-1,202	1.55
Sweet Corn....	213	1,279	91	38	53	0.42
Tobacco.......	37,356	490,093	14,543	6,980	7,563	0.48
Tomato, Fresh.	16	1,603	646	4,565	-3,919	7.07
Tomato........	31	10326	103	223	-120	2.17
Walnut........	13	413	23	1	22	0.04
Wheat.........	38,551	481,987	35,114	54,724	-19,610	1.56
TOTAL......	188,112	2,668,523	176,062	258,862	-82,800	1.47

a/ Excess of indemnities over premiums indicated by (-) minus sign.

GOVERNMENT OPERATIONS - SUMMARY OF 1984 CROP YEAR EXPERIENCE BY STATE
(DOLLARS IN THOUSANDS)

State	No. of Crops Insured	Amount of Protection	Premiums	Indemnities	Premiums Compared with Indemnities a/
Alabama.......	3,048	76,875	6,659	7,643	-984
Alaska........	23	729	165	27	138
Arizona.......	69	8,306	379	909	-530
Arkansas......	2,057	44,733	5,344	6,126	-782
California....	1,479	49,634	3,752	2,667	1,085
Colorado......	1,439	23,566	2,413	1,840	573
Connecticut...	99	2,074	104	106	-2
Delaware......	172	2,819	231	107	124
Florida.......	1,316	58,619	4,670	11,362	-6,692
Georgia.......	5,770	116,839	9,445	8,754	691
Idaho.........	895	16,349	971	1,490	-519
Illinois......	7,444	109,117	6,566	12,139	-5,573
Indiana.......	7,637	98,942	5,135	8,787	-3,652
Iowa..........	15,514	223,595	10,789	9,149	1,640
Kansas........	8,073	64,694	5,237	10,163	-4,926
Kentucky......	14,999	127,468	5,514	8,023	-2,509
Louisiana.....	994	26,091	3,214	6,011	-2,797
Maine.........	166	12,874	712	2,956	-2,244
Maryland......	221	5,236	298	104	194
Massachusetts.	78	1,894	111	508	-397
Michigan......	465	2,851	200	395	-195
Minnesota.....	21,098	238,987	14,878	6,079	8,799
Mississippi...	2,104	68,114	7,573	11,115	-3,542
Missouri......	9,968	94,452	7,968	26,351	-18,383
Montana.......	5,499	117,759	7,952	28,204	-20,252
Nebraska......	6,764	91,935	6,197	9,341	-3,144
Nevada........	1	197	10	174	-164
New Hampshire.	13	100	6	6	0
New Jersey....	71	1,129	92	86	6
New Mexico....	194	3,672	573	703	-130
New York......	128	3,015	211	361	-150
North Carolina	15,461	288,884	10,643	7,060	3,583
North Dakota..	19,602	203,870	14,989	14,504	485
Ohio..........	4,903	59,555	2,834	4,438	-1,604
Oklahoma......	1,764	29,696	2,753	5,450	-2,697
Oregon........	574	17,053	581	469	112
Pennsylvania..	623	8,205	550	182	368
Rhode Island..	12	70	4	3	1
South Carolina	2,931	63,740	4,202	4,267	-65
South Dakota..	3,498	25,138	2,598	1,623	975
Tennessee.....	4,996	26,331	1,723	1,541	182
Texas.........	5,133	107,910	10,679	34,867	-24,188
Utah..........	64	614	62	157	-95
Vermont.......	73	415	30	43	-13
Virginia......	7,310	99,571	4,662	1,145	3,517
Washington....	1,099	28,815	1,333	614	719
West Virginia.	69	1,261	96	20	76
Wisconsin.....	1,759	7,708	549	283	266
Wyoming.......	443	7,022	405	510	-105
TOTAL......	188,112	2,668,523	176,062	258,862	-82,800

a/ Excess of indemnities over premium indicated by (-) minus sign.

FEDERAL CROP INSURANCE CORPORATION

GOVERNMENT OPERATIONS - CUMULATIVE SUMMARY OF EXPERIENCE - BY CROP
CROP YEARS 1948-1984
(DOLLARS IN THOUSANDS)

Crop	Premiums	Indemnities	Premiums Compared With Indemnities a/	Loss Ratio
Almond........	3,761	3,923	-162	1.04
Apple.........	9,228	12,236	-3,008	1.33
Barley........	52,090	51,457	633	0.99
Bean..........	19,044	24,995	-5,951	1.31
Cherry........	150	391	-241	2.61
Citrus........	52,792	75,096	-22,304	1.42
Citrus Tree...	1,301	12,416	-11,115	9.54
Combined Crop.	39,776	44,861	-5,085	1.13
Corn..........	490,030	493,925	-3,895	1.01
Cotton........	175,008	266,854	-91,846	1.53
Flax..........	19,221	17,203	2,018	0.90
Forage Prod. .	91	198	-107	2.18
Forage Seed...	47	173	-126	3.68
Grain Sorghum.	50,833	64,351	-13,518	1.27
Grape.........	8,034	12,990	-4,956	1.62
Grape, Table..	159	192	-33	1.21
Hybrid Seed...	569	3,100	-2,531	5.45
Oat...........	17,497	16,113	1,384	0.92
Pea...........	9,539	11,266	-1,727	1.18
Peach.........	8,554	11,770	-3,216	1.38
Peanut........	72,354	92,581	-20,227	1.28
Pepper........	211	247	-36	1.17
Popcorn.......	115	348	-233	3.03
Potato........	3,244	8,243	-4,999	2.54
Prev. Planting	127	632	-505	4.98
Raisin........	24,827	49,056	-24,229	1.98
Rice..........	10,102	26,421	-16,319	2.62
Rye...........	61	22	39	0.36
Safflower.....	4	10	-6	2.50
Soybean.......	419,129	733,003	-313,874	1.75
Sugar Beet....	16,981	12,268	4,713	0.72
Sugarcane.....	6,454	9,516	-3,062	1.47
Sunflower.....	22,837	24,774	-1,937	1.09
Sweet Corn....	384	266	118	0.69
Tobacco.......	239,081	274,966	-35,885	1.15
Tomato........	2,124	3,127	-1,003	1.47
Tomato, Fresh.	646	4,565	-3,919	7.07
Tung Nut......	90	67	23	0.74
Walnut........	23	1	22	0.04
Wheat.........	689,499	727,732	-38,233	1.06
Puerto Rico Reins. (Old)	618	90	528	0.15
TOTAL......	2,466,635	3,091,445	-624,810	1.25

Excess of Indemnities over premiums indicated by (-) minus sign.

GOVERNMENT OPERATIONS-SUMMARY OF EXPERIENCE 1939-1984

Year	Amount of Protection	Premium	Indemnities	Premium	Indemnities	Loss Ratio
	(Thousands of Dollars)			(As % of Protection)		
1939-47	$1,564,916	$ 147,241	$ 218,543	9.4	14.0	1.48
1948-80	26,721,749	1,419,445	1,562,198	5.3	5.8	1.10
1981	5,797,132	366,361	398,751	6.3	6.9	1.09
1982	4,856,758	320,659	458,461	6.6	9.4	1.43
1983	2,778,428	184,108	413,173	6.6	14.9	2.24
1984	2,668,523	176,062	258,862	6.6	9.7	1.47
1939-84	44,387,506	2,613,876	3,309,988	5.9	7.5	1.27

*During fiscal year 1981, $250 million of CCC funds were used to pay crop year indemnities.

FCIC OPERATING EXPERIENCE-CROP YEAR 1984

Government insurance operations for the 1984 crop year shows indemnities exceeding premiums by $83.0 million with a loss ratio of 1.47. The amount of protection for the 1984 crop year was $2.7 billion.

Premium Income

For the 1984 crop year, net farmer premium for government operations totaled $137.2 (excluding hail discount of .4 million). This amount represents a decrease of $6.6 million from the 1983 crop year. Federal subsidy of $38.9 million added to the net farmer premium income resulted in total premium income for government operations of $176.1 million, which represents an overall decrease of $8.0 million from crop year 1983.

Indemnities

The 1984 crop year indemnities totaled $258,861,641 with a loss ratio of 1.47. Soybeans, wheat, corn, citrus tree, grain sorghum, barley, peanut, citrus and tobacco with indemnities of $85,941,096, $54,724,219, $35,691,589, $12,416,401, $12,362,376, $10,010,310, $7,936,975 $7,099,075 and $6,980,203 and loss ratios of 1.82, 1.56, .96, 22.81, 2.61, 1.90, .86, 2.38 and .48, respectively accounted for 90 percent of the total dollar loss. Soybeans alone accounted for 33 percent of the total dollar loss.

Popcorn, peppers, fresh tomatoes, table grapes and walnuts were new crops for the 1984 crop year and had losses of $348,268, $246,740, $4,564,978, $192,278 and $1,005 and loss ratios of 3.04, 1.17, 7.07, 1.21, and .04, respectively.

Loss Experience

Extreme weather conditions in some areas resulted in unfavorable loss experience on a number of 1984 crops. The major losses on these crops resulted in the following states:

State	Crop	Excess of Indemnities Over Premiums	Loss Ratio
Missouri	Soybeans	$15,132,030	4.67
Montana	Wheat	14,883,914	3.53
Texas	Citrus Tree	11,871,944	22.81
Montana	Barley	5,293,165	3.62
Florida	Fresh Tomatoes	3,919,014	7.07
Texas	Combined crop	3,548,693	3.92
Texas	Grain Sorghum	3,397,140	3.03
Mississippi	Soybeans	3,303,577	1.53
Kansas	Soybeans	3,101,925	4.87

The most favorable loss experience occurred in the following states.

State	Crop	Excess of Premiums Over Indemnities	Loss Ratio
Minnesota	Corn	$4,099,638	.30
Minnesota	Soybean	2,927,630	.40
Iowa	Corn	2,837,285	.63
North Carolina	Tobacco	2,646,449	.58
Georgia	Peanut	1,910,694	.34
Kentucky	Tobacco	1,858,004	.44
Minnesota	Wheat	1,605,595	.34
Virginia	Peanut	1,372,722	.23
Alabama	Peanut	1,329,186	.28

Capital Stock

Prior to the Federal Crop Insurance Act of 1980, as amended, the Corporation had authorized and issued capital stock of $200 million which was cancelled by the new legislation.

The Federal Crop Insurance Act of 1980, as amended, authorizes $500 million of capital stock. As of September 30, 1984, $500 million has been issued.

ADMINISTRATIVE AND OPERATING EXPENSES

The activities funded from this appropriation are briefly described below:

1. Underwriting, Actuarial and Program Development - This activity covers the underwriting function which makes determinations with respect to the establishment of insurance coverage and premium rates. Also, new programs are researched and developed, and existing ones are reviewed for improvement of contract provisions.

2. Reinsured Companies - Reinsurance enables the reinsured companies to provide the insurance marketing, distribution, servicing, training, quality control, and loss adjustment functions. The companies also share with FCIC to a limited extent in both profits and losses.

3. Agency Sales and Service Contracts - Under Agency Sales and Service Contracts; also known as "master marketing agreements," private insurance companies and associations are offered the opportunity to contract with FCIC to provide limited insurance sales and services.

4. Direct Cost of Loss Adjustment - This activity consists of loss adjustment activities performed by adjusters under contract with FCIC and the loss adjustment work performed by the reinsured companies.

Selected Examples of Progress During F.Y. 1985: The following are selected accomplishments under this appropriation by activity:

Underwriting, Actuarial and Program Development

1. On crops already covered by insurance, the program was expanded to cover an additional 149 county crop programs for the 1986 crop year. Also, 55 crop programs were added on two new crops, prunes and canning peaches, for a total of 204 new county programs for the crop year.

2. In addition to comprehensive county programs, FCIC provides specific crop coverage upon request by a producer of barley, corn, cotton, grain sorghum, oats, rice, soybeans, tobacco or wheat. Coverage is available anywhere that these crops are recognized as viable farming enterprises.

3. The Actual Production History (APH) Program was extended for 1986 to include almonds, apples, barley, canning peaches, dry beans, dry peas, ELS cotton, flax, forage production, grapes, green peas, oats, peaches, popcorn, potatoes, prunes, rye, soybeans, sugar beets, sunflowers, sweet corn, table grapes, tomatoes, walnuts and wheat. All crop insurance programs will be converted to a proven production basis for yield guarantee by 1987.

4. Insurance on container grown nursery stock was added under private industry for the 1985 crop year. Canning peaches and prunes have been approved as new crops to be insured for 1986 crop year.

5. Currently, there are 19,028 counties with actuarial structures established for 40 crops.

6. Price elections were reviewed for all crops and changes made as needed to ensure that at least one election was not less than 90 percent of the expected market price.

7. The actuarial consultants' recommendations for changes in FCIC's rate making procedures have been incorporated for barley, corn, cotton, ELS cotton, flax, grain sorghum, oats, peanuts, popcorn, rye, soybeans, sunflowers, and tobacco as part of the conversion to the Actual Production History Program. A more rigorous mathematical basis for rate making has been implemented. Spreads between rates at the 50, 65 and 75 percent coverage levels were widened. The project to design an automated data base along the lines recommended by the consultants continues to be developed.

8. The Actuarial Division and Field Actuarial Offices improved their computer systems to be able to process more individually based yields (APH) in a timely fashion.

Reinsured Companies

The reinsurance program continued to expand during 1985. Premiums increased to approximately $325 million from $260 million. This was an increase of approximately 125 percent. The number of reinsurance agreements increased from 47 to 48.

The private companies continued to provide timely and effective claims service through their staff and contract loss adjusters.

Agency Sales and Service Contracts

1. Marketing Status

The recruitment activity in 1985 produced ten new 1985 Agency Sales and Service Agreements. The volume of business from the new contractors was encouraging.

A Quality Control System was initiated to ensure accuracy of loss adjustment procedures.

The assistance provided by the Marketing Division to the new and established companies resulted in better service of the FCIC Program to the policyholder user.

2. Advertising and Sales Promotion

Public awareness of the vital role played by Crop Insurance in the stability of Agriculture is a primary concern. A conservative but effective advertising campaign was carried out in 1985, utilizing major farm publications with national readership, publications reaching farm lenders, and state farm magazines in those areas with greatest potential. Broadcast messages were also used, limited to areas where they could be considered most cost-effective. In addition, Agency Sales and Service Contractors were encouraged to place local advertising, for which they were eligible for cost-share reimbursement. Over half of our Contractors participated successfully in this endeavor. Informational articles ran periodically throughout the year in a variety of print media. Promotional activities were continued through other USDA agencies, and the Extension Service. A special promotion sponsorship is being carried out with the Future Farmers of America, recognizing Star Farmer and Agribusiness winners in forty-eight states.

Agency Sales and Service Contracts

Sales of Federal Crop Insurance will generate approximately $118,000,000 in premium for 1985. This was a decrease in premium from the past year.

Agency Sales and Service Contractors continue to provide and promote Federal Crop Insurance for the Nation's producers.

FCIC continued the Agency Certification Training (ACT) to enhance the level of program knowledge for agents affiliated with Agency Sales and Service Contractors. Over 280 training sessions were conducted in 1985. FCIC is retaining "active" agents only. Over 7,500 agents have successfully completed ACT. A total of 6,283 are currently designated as active agents.

Direct Cost of Loss Adjustment

1. Contract Services - For the 1985 crop year, FCIC has a reduced volume of business on its contracts. Field representatives have concentrated their efforts on claims activities, and loss adjustment contractor training. The initial study of the FCIC Office Operations Automation Project (OAS) has demonstrated the feasibility of a decentralized document processing system. Upon receipt of Departmental approval the project will become operational.

The flow of documents remains essentially the same as in 1984, with only the late-filed applications, revised acreage reports, and claims documents being routed through the field operations offices. This audit point has proved to be effective in reducing the number of documents that would be rejected. This has enhanced the timely service provided to our policyholders. The error percentage for claims documents preparation has been reduced from a high of 40 percent in 1983 to 10 percent in 1985 due to the document reviews and Loss Adjustment Contractor certification program.

2. Loss Adjustment Contractors - Minor revisions were made to the loss adjustment contract in 1985. Compensation for orientation, formal classroom training, and on-the-job field training has proved to be effective and beneficial to the Corporation. As in 1984, the contract allows for utilization of contractors for functions other than strictly loss adjustment. Emphasis is placed on timeliness, quality, quantity and cost work performed by the contractors. The national average cost for all types of inspections is $47.97 per inspection and/or unit. A detailed program is being developed to identify loss adjustment contractor cost by unit and/or crop.

The certification program for contractors has been progressing successfully since the implementation. Heavy emphasis continues on formal classroom training and testing as well as on-the-job training requirements for full certification. Guidelines have been developed to further train contractor's who have been decertified. Accuracy and timeliness of the contractor's work continues to show marked improvement. Quality control is a priority function in evaluating the contractor's knowledge of the overall crop insurance program.

3. Quality Control - The document tracking system utilizing the word processing systems and PC computers in the field operations offices is more effective than in the past.

The quality control system in the field is staffed by permanent part-time personnel. This has enabled the field operations offices to maintain a stable number of personnel available to carry out the quality control functions within a region. A detailed program has been developed for loss adjustment response time percentages to more closely identify the areas of excess time lapses.

PROGRAM PLANS

The objective of the Corporation during 1986 and 1987 are:

1. To continue providing crop insurance protection to as many farmers as possible within the available resources, while maintaining the actuarial soundness of the program.

2. To continue making improvements in the contract provisions, insurance protection, and premium rates to make the program more responsive to the needs of the farmers. Programs currently in effect are being reviewed to ascertain that rates and coverages are maintained at a level proportionate to the risk.

3. To increase sales and service to producers through expanded use of actual production history on all production guarantee crops by the 1987 crop year. FCIC's goal is to tailor the crop insurance policy to individual farmer experience.

The reviews performed by the quality control personnel have addressed many areas such as, potential fraud and abuse, conflicts of interest, reporting of data by insureds and agents that affect liability, timely loss adjustment service, preharvest appraisals, and adequate loss adjustment staffing.

Program Statistics

The following tables show: (1) the number of counties in which crop insurance is offered, crop years 1948 through 1985 and 1986 (estimated): and (2) data by commodity, crop years 1948 through 1983 (actual).

Crop Year	Number of Counties
1948	324
1949	357
1950	549
1951	730
1952	795
1953	847
1954	803
1955	794
1956	806
1957	816
1958	830
1959	847
1960	869
1961	890
1962	995
1963	1,094
1964	1,187
1965	1,214
1966	1,304
1967	1,363
1968	1,395
1969	1,425
1970	1,423
1971	1,423
1972	1,422
1973	1,432
1974	1,444
1975	1,467
1976	1,467
1977	1,467
1978	1,522
1979	1,526
1980	1,676
1981	1,928
1982	2,999
1983	3,000
1984	3,010
1985	3,012
1986	3,013
1987 (estimated)	3,013

GOVERNMENT OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1948-1984
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	CROPS INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
ALMOND						
1981.......	4	152	8,717	610	10	0.02
1982.......	18	262	24,110	1,758	1,312	0.75
1983.......	18	176	11,335	836	2,601	3.11
1984.......	18	133	7,468	557	0	0.00
TOTAL....	---	---	---	3,761	3,923	1.04
APPLE						
1963-1980..	---	---	68,003	6,604	8,398	1.27
1981.......	10	357	9,195	836	1,291	1.54
1982.......	10	251	6,964	640	995	1.56
1983.......	10	192	5,223	487	857	1.76
1984.......	24	239	7,263	661	695	1.05
TOTAL....	---	---	---	9,228	12,236	1.33
BARLEY						
1956-1980..	---	---	358,022	27,932	26,411	0.95
1981.......	270	11,902	90,171	7,856	6,475	0.82
1982.......	2,545	9,196	72,674	6,076	4,123	0.68
1983.......	2,549	7,877	59,747	4,968	4,438	0.89
1984.......	2,620	7,461	64,482	5,258	10,010	1.90
TOTAL....	---	---	---	52,090	51,457	0.99
BEAN						
1948-1980..	---	---	160,062	9,924	9,118	0.92
1981.......	60	2,985	51,544	4,182	4,241	1.01
1982.......	78	2,296	41,753	3,361	9,940	2.96
1983.......	78	934	8,038	642	760	1.18
1984.......	131	881	12,430	935	936	1.00
TOTAL....	---	---	---	19,044	24,995	1.31
CITRUS						
1951-1980..	---	---	486,198	43,159	60,273	1.40
1981.......	27	1,275	40,378	3,395	7,561	2.23
1982.......	30	1,083	35,595	3,259	163	0.05
1983.......	30	0	0	0	0	0.00
1984.......	35	1,036	32,216	2,979	7,099	2.38
TOTAL....	---	---	---	52,792	75,096	1.42
CITRUS TREE						
1983.......	3	220	18,643	757	0	0.00
1984.......	3	189	14,293	544	12,416	22.82
TOTAL....	---	---	---	1,301	12,416	9.54

GOVERNMENT OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1948-1984
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	CROPS INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
COMBINED CROP						
1948-1980..	---	---	789,307	37,511	44,222	1.18
1981.......	7	1,069	19,367	801	139	0.17
1982.......	5	809	15,961	659	211	0.32
1983.......	5	702	10,589	406	251	0.62
1984.......	5	573	11,035	399	38	0.10
TOTAL....	---	---	---	39,776	44,861	1.13
CORN						
1948-1980..	12,896	1,927,715	5,626,659	290,866	315,193	1.08
1981.......	1,335	101,390	1,413,731	86,091	50,712	0.59
1982.......	2,829	64,617	897,552	53,291	27,841	0.52
1983.......	2,832	37,622	380,426	22,728	64,487	2.84
1984.......	2,850	38,644	587,891	37,054	35,692	0.96
TOTAL....	---	---	---	490,030	493,925	1.01
COTTON						
1948-1980..	6,446	736,153	1,822,490	112,365	176,582	1.57
1981.......	360	5,708	267,245	21,610	23,877	1.11
1982.......	618	5,280	244,051	20,413	36,767	1.80
1983.......	619	4,963	169,798	14,335	23,794	1.66
1984.......	690	2,397	76,665	6,285	5,834	0.93
TOTAL....	---	---	---	175,008	266,854	1.53
FLAX						
1948-1980..	2,398	482,238	156,568	17,863	15,901	0.89
1981.......	85	1,707	3,523	487	436	0.90
1982.......	85	1,267	3,054	431	515	1.20
1983.......	87	862	1,824	244	196	0.80
1984.......	98	722	1,476	196	155	0.79
TOTAL....	---	---	---	19,221	17,203	0.90
FORAGE PRODUCTION						
1979-1980..	6	121	588	34	68	2.00
1981.......	3	50	222	13	41	3.15
1982.......	8	93	538	33	70	2.12
1983.......	8	32	128	7	19	2.71
1984.......	20	20	51	4	0	0.00
TOTAL....	---	---	---	91	198	2.18
FORAGE SEEDING						
1978-1980..	9	285	203	16	78	4.88
1981.......	3	127	130	13	57	4.39
1982.......	8	116	113	9	24	2.67
1983.......	8	63	63	5	6	1.20
1984.......	8	56	55	4	8	2.00
TOTAL....	---	---	---	47	173	3.68

GOVERNMENT OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1948-1984
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	CROPS INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
GRAIN SORGHUM						
1959-1980..	3,161	177,920	392,488	24,515	25,829	1.05
1981.......	441	17,087	134,790	11,472	10,612	0.93
1982.......	2,408	9,384	85,596	7,262	8,949	1.23
1983.......	2,410	5,322	34,114	2,854	6,599	2.31
1984......:	2,471	5,584	51,419	4,730	12,362	2.61
TOTAL....	---	---	---	50,833	64,351	1.27
GRAPE						
1967-1980..	117	3,703	47,434	2,710	2,694	0.99
1981.......	20	619	18,334	1,134	959	0.85
1982.......	27	782	40,259	2,408	5,494	2.28
1983.......	30	481	21,960	1,341	3,297	2.46
1984.......	47	214	6,062	441	546	1.24
TOTAL....	---	---	---	8,034	12,990	1.62
GRAPE, TABLE						
1984.......	10	23	2008	159	192	1.21
HYBRID SEED						
1983.......	68	138	3,343	181	2,177	12.03
1984.......	68	243	6,872	388	923	2.38
TOTAL....	---	---	---	569	3,100	5.45
OAT						
1959-1980..	4,857	448,665	167,580	11,571	9,776	0.85
1981.......	429	14,619	27,360	2,845	3,962	1.39
1982.......	550	8,977	16,174	1,520	925	0.61
1983.......	938	5,297	8,517	840	672	0.80
1984.......	2,532	4,345	7,332	721	778	1.08
TOTAL....	---	---	---	17,497	16,113	0.92
PEA						
1962-1980..	808	54,695	102,907	7,580	9,662	1.28
1981.......	75	1,181	7,922	613	416	0.68
1982.......	85	918	8,470	627	457	0.73
1983.......	89	748	5,073	423	399	0.94
1984.......	100	546	3,411	296	332	1.12
TOTAL....	---	---	---	9,539	11,266	1.18
PEACH						
1957-1980..	374	7,416	52,820	7,043	8,821	1.25
1981.......	17	98	3,370	275	95	0.35
1982.......	21	96	3,025	273	1,136	4.16
1983.......	25	102	3,889	356	978	2.75
1984.......	25	131	6,371	607	740	1.22
TOTAL....	---	---	---	8,554	11,770	1.38

GOVERNMENT OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1948-1984
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	CROPS INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
PEANUT						
1962-1980..	1,122	74,839	568,939	29,162	39,295	1.35
1981.......	140	10,364	269,962	14,445	8,953	0.62
1982.......	175	7,475	181,791	9,734	7,701	0.79
1983.......	208	5,940	161,798	9,743	28,695	2.95
1984.......	246	4,983	151,818	9,270	7,937	0.86
TOTAL....	---	---	---	72,354	92,581	1.28
PEPPER						
1984.......	4	14	2177	211	247	1.17
TOTAL....	---	---	---	211	247	1.17
POPCORN						
1984.......	55	109	1,903	115	348	3.03
TOTAL....	---	---	---	115	348	3.03
POTATO						
1962-1980..	107	4,068	22,511	1,297	2,670	2.06
1981.......	4	40	3,605	214	290	1.36
1982.......	4	16	967	56	116	2.07
1983.......	49	83	7,773	426	1,205	2.83
1984.......	98	200	22,614	1,251	3,962	3.17
TOTAL....	---	---	---	3,244	8,243	2.54
PREVENTED PLANTING						
1982.......	10	316	3,571	109	613	5.62
1983.......	10	72	414	13	17	1.31
1984.......	10	25	151	5	2	0.40
TOTAL....	---	---	---	127	632	4.98
RAISIN						
1961-1980..	140	30,124	270,213	10,847	10,974	1.01
1981.......	7	1,736	46,060	2,733	11	0.00
1982.......	7	1,724	84,231	5,389	33,854	6.28
1983.......	7	978	47,077	4,441	4,024	0.91
1984.......	7	642	17,993	1,417	193	0.14
TOTAL....	---	---	---	24,827	49,056	1.98

GOVERNMENT OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1948-1984
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	CROPS INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
RICE						
1960-1980..	484	5,137	108,973	3,231	4,753	1.47
1981.......	80	1,625	82,265	2,278	4,237	1.86
1982.......	146	1,543	87,296	2,364	7,999	3.38
1983.......	146	1,316	52,136	1,595	8,496	5.33
1984.......	165	439	20,335	634	936	1.48
TOTAL....	---	---	---	10,102	26,421	2.62
RYE						
1980.......	3	9	3	1	1	1.00
1981.......	3	3	9	1	0	0.00
1982.......	36	51	180	22	5	0.23
1983.......	36	58	143	17	10	0.59
1984.......	36	69	183	20	6	0.30
TOTAL....	---	---	---	61	22	0.36
SOYBEAN						
1955-1980..	11,726	1,172,478	2,132,591	119,230	106,541	0.89
1981.......	1,089	90,028	1,217,849	95,177	173,085	1.82
1982.......	1,323	68,346	1,154,569	98,476	208,882	2.12
1983.......	1,609	45,955	609,180	58,936	158,554	2.69
1984.......	1,726	38,920	521,086	47,310	85,941	1.82
TOTAL....	---	---	---	419,129	733,003	1.75
SUGAR BEET						
1965-1980..	1,241	25,721	263,887	11,484	8,899	0.78
1981.......	104	1,133	54,189	2,731	1,617	0.59
1982.......	114	555	23,790	1,168	604	0.52
1983.......	105	405	18,940	934	697	0.75
1984.......	123	279	13,284	664	451	0.68
TOTAL....	---	---	---	16,981	12,268	0.72
SUGARCANE						
1967-1980..	181	3,906	98,409	3,232	2,791	0.86
1981.......	20	111	15,291	623	758	1.22
1982.......	23	114	28,192	1,263	1,015	0.80
1983.......	23	62	23,202	1,100	4,793	4.36
1984.......	23	33	5,880	236	159	0.67
TOTAL....	---	---	---	6,454	9,516	1.47
SUNFLOWER						
1976-1980..	154	15,167	110,747	7,462	7,686	1.03
1981.......	83	6,248	73,485	6,195	4,350	0.70
1982.......	106	4,873	58,383	4,899	7,017	1.43
1983.......	108	2,897	25,777	2,090	2,328	1.11
1984.......	138	2,782	26,598	2,191	3,393	1.55
TOTAL....	---	---	---	22,837	24,774	1.09

GOVERNMENT OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1948-1984
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	CROPS INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
SWEET CORN						
1978-1980	9	320	1,417	91	54	0.59
1981.....	25	190	627	43	48	1.12
1982.....	53	241	1,187	83	36	0.43
1983.....	53	227	1,110	76	90	1.18
1984.....	90	213	1,279	91	38	0.42
TOTAL..	---	---	---	384	266	0.69
TOBACCO						
1948-1980	6,210	2,297,418	6,205,336	159,875	166,709	1.04
1981.....	308	63,732	964,627	26,469	23,438	0.89
1982.....	335	51,937	761,301	20,971	22,055	1.05
1983.....	403	42,559	584,411	17,223	55,784	3.24
1984.....	489	37,356	490,093	14,543	6,980	0.48
TOTAL..	---	---	---	239,081	274,966	1.15
TOMATO						
1963-1980	181	2,528	11,324	705	529	0.75
1981.....	18	57	5,266	296	117	0.40
1982.....	21	77	13,826	745	1,954	2.62
1983.....	21	42	4,695	275	304	1.11
1984.....	29	16	1,603	103	223	2.17
TOTAL..	---	---	---	2,124	3,127	1.47
TOMATOES, FRESH						
1984.....	4	31	10,326	646	4,565	7.07
TOTAL..	---	---	---	646	4,565	7.07
WALNUT						
1984.....	22	13	413	23	1	0.04
TOTAL..	---	---	---	23	1	0.04
WHEAT						
1948-1980	18,633	3,031,885	6,682,338	472,273	497,712	1.05
1981.....	942	72,050	967,898	72,923	70,963	0.97
1982.....	2,820	68,675	961,585	73,360	67,687	0.92
1983.....	2,830	45,694	499,062	35,829	36,646	1.02
1984.....	2,848	38,551	481,987	35,114	54,724	1.56
TOTAL..	---	---	---	689,499	727,732	1.06
CHERRY						
1963-1966	4	451	1,371	150	391	2.61
TOTAL..	---	---	---	150	391	2.61

GOVERNMENT OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1948-1984
ALL PROGRAMS
(DOLLARS IN THOUSANDS)

PROGRAM AND CROP YEAR	COUNTY PROGRAMS (NUMBER)	CROPS INSURED (NUMBER)	AMOUNT OF PROTECTION (DOLLARS)	AMOUNT OF PREMIUM (DOLLARS)	AMOUNT OF INDEMNITIES (DOLLARS)	LOSS RATIO
SAFFLOWER						
1964-1966	6	104	20	4	10	2.50
TOTAL..	---	---	---	4	10	2.50
TUNG NUT						
1965-1970	6	177	458	90	67	0.74
TOTAL..	---	---	---	90	67	0.74
PUERTO RICO REINSURANCE						
1968-1978	0	0	11,883	618	90	0.15
TOTAL..	---	---	---	618	90	0.15
GRAND TOTAL						
1948-1980	71,279	10,503,243	26,721,749	1,419,445	1,562,198	1.10
1981.....	5,969	407,643	5,797,132	366,361	398,751	1.09
1982.....	14,498	311,370	4,856,758	320,659	458,460	1.43
1983.....	15,415	212,019	2,778,428	184,108	413,174	2.24
1984.....	17,868	188,112	2,668,523	176,062	258,862	1.47
TOTAL..	---	---	---	2,466,635	3,091,445	1.25

SUMMARY OF REINSURANCE EXPERIENCE 1981-1984

The following tables summarize the reinsurance experience: (1) crop year 1984 by crop; (2) crop year 1984 by state; (3) crop years 1981 through 1984 cumulative summary of experience by crop; and (4) crop years 1981 through 1984, showing premiums and indemnities as a percent of insurance protection.

REINSURANCE OPERATIONS - SUMMARY OF 1984 CROP YEAR EXPERIENCE BY CROP
(DOLLARS IN THOUSANDS)

Crop	No. of Crops Insured	Amount of Protection	Premiums	Indemnities	Premiums Compared with Indemnities a/	Loss Ratio
Almond........	550	39,153	2,896	20	2,876	0.01
Apple.........	105	4,110	355	950	-595	2.68
Barley........	6,874	80,558	6,299	14,353	-8,054	2.28
Bean..........	1,750	31,668	2,539	2,691	-152	1.06
Citrus........	212	7,572	697	2,773	-2,076	3.98
Citrus Tree...	41	6,792	291	6,280	-5,989	21.58
Corn..........	58,792	1,299,599	68,138	58,252	9,886	0.86
Cotton........	9,951	261,512	29,829	52,750	-22,921	1.77
Cranberry.....	22	1,597	121	64	57	0.53
Flax..........	491	1,356	171	143	28	0.84
Forage Prod...	12	96	6	13	-7	2.17
Forage Seed...	21	24	2	2	0	1.00
Grain Sorghum.	10,761	122,737	10,725	25,984	-15,259	2.42
Grape.........	1,049	47,829	3,162	3,075	87	0.97
Grape, Table..	198	19,021	1,519	4,916	-3,397	3.24
Hybrid Seed...	466	20,336	1,072	3,482	-2,410	3.25
Oat...........	3,055	6,087	658	923	-265	1.40
Pea...........	392	4,078	318	227	91	0.71
Peach.........	79	7,486	695	399	296	0.57
Peanut........	3,339	132,530	7,835	6,207	1,628	0.79
Pepper........	6	1,609	183	296	-113	1.62
Popcorn.......	175	5,107	302	948	-646	3.14
Potato........	231	25,868	1,330	2,776	-1,446	2.09
Raisin........	2,675	105,709	8,478	4,234	4,244	0.50
Rice..........	370	16,772	590	944	-354	1.60
Rye...........	37	129	15	7	8	0.47
Soybean.......	48,855	716,023	53,915	104,834	-50,919	1.94
Sugar Beet....	331	20,102	1,027	746	281	0.73
Sugarcane.....	39	12,721	645	1,891	-1,246	2.93
Sunflower.....	2,771	33,001	2,628	4,078	-1,450	1.55
Sweet Corn....	116	1,328	86	42	44	0.49
Tobacco.......	15,774	342,693	10,081	5,077	5,004	0.50
Tomato........	263	54,373	3,224	3,248	-24	1.01
Tomato, Fresh.	8	3,981	258	957	-699	3.71
Walnut........	58	2,208	125	115	10	0.92
Wheat.........	32,530	516,751	38,361	62,489	-24,128	1.63
Sub-total..	202,399	3,952,516	258,576	376,186	-117,610	1.46
Puerto Rico Reinsurance...	3,713	35,094	2,099	806	1,293	0.38
GRAND TOTAL..	206,112	3,987,610	260,675	376,992	-116,317	1.45

a/ Excess of Indemnities over premiums indicated by (-) minus sign.

REINSURANCE OPERATIONS - SUMMARY OF 1984 CROP YEAR EXPERIENCE BY STATE (DOLLARS IN THOUSANDS)

State	No. of Crops Insured	Amount of Protection	Premiums	Indemnities	Premiums Compared with Indemnities a/
Alabama.......	1,651	42,501	3,657	4,051	-394
Alaska........	0	0	0	0	0
Arizona.......	73	9,041	313	173	140
Arkansas......	2,343	77,645	9,154	14,876	-5,722
California....	4,822	277,039	19,897	17,006	2,891
Colorado......	981	24,614	3,132	4,774	-1,642
Connecticut...	1	727	30	0	30
Delaware......	0	0	0	0	0
Florida.......	469	24,716	1,696	2,719	-1,023
Georgia.......	4,489	118,114	8,407	7,332	1,075
Idaho.........	817	13,832	784	1,816	-1,032
Illinois......	11,532	235,210	10,043	15,276	-5,233
Indiana.......	6,173	126,724	5,327	4,945	382
Iowa..........	43,173	727,995	33,230	30,095	3,135
Kansas........	15,268	158,244	13,224	27,039	-13,815
Kentucky......	6,801	73,136	3,710	3,313	397
Louisiana.....	1,002	34,691	4,752	11,039	-6,287
Maine.........	0	0	0	0	0
Maryland......	53	1,300	104	45	59
Massachusetts.	11	502	63	10	53
Michigan......	690	9,927	678	1,628	-950
Minnesota.....	7,917	154,924	9,901	5,621	4,280
Mississippi...	691	37,735	3,839	6,949	-3,110
Missouri......	7,247	91,891	7,290	25,247	-17,957
Montana.......	4,588	116,443	8,773	34,881	-26,108
Nebraska......	21,223	407,127	23,769	33,598	-9,829
Nevada........	2	100	5	100	-95
New Hampshire.	0	0	0	0	0
New Jersey....	20	348	28	29	-1
New Mexico....	208	4,667	608	1,011	-403
New York......	213	6,130	398	556	-158
North Carolina	9,786	283,975	11,261	6,376	4,885
North Dakota..	16,477	227,426	16,952	13,250	3,702
Ohio..........	3,560	53,264	2,484	2,236	248
Oklahoma......	2,122	38,098	3,043	6,734	-3,691
Oregon........	632	16,477	653	264	389
Pennsylvania..	385	8,824	706	186	520
Rhode Island..	0	0	0	0	0
South Carolina	2,126	62,802	4,577	4,167	410
South Dakota..	5,555	58,368	5,231	6,630	-1,399
Tennessee.....	1,263	8,080	499	432	67
Texas.........	12,733	305,634	34,518	78,469	-43,951
Utah..........	106	1,159	105	227	-122
Vermont.......	3	37	2	15	-13
Virginia......	1,506	25,366	1,580	402	1,178
Washington....	1,996	65,939	2,561	649	1,912
West Virginia.	14	189	15	12	3
Wisconsin.....	1,331	15,586	1,126	990	136
Wyoming.......	346	5,969	451	1,018	-567
Sub-total..	202,399	3,952,516	258,576	376,186	-117,610
Puerto Rico Reinsurance.	3,713	35,094	2,099	806	1,293
GRAND TOTAL...	206,112	3,987,610	260,675	376,992	-116,317

a/ Excess of indemnities over premium indicated by (-) minus sign.

REINSURANCE OPERATIONS - CUMULATIVE SUMMARY OF EXPERIENCE - BY CROPS
CROP YEARS 1981-1984
(DOLLARS IN THOUSANDS)

Crop	Premiums	Indemnities	Premium Compared with Indemnities a/	Loss Ratio
Almond........	4,049	4,265	-216	1.05
Apple.........	545	1,182	-637	2.17
Barley........	12,087	18,221	-6,134	1.51
Bean..........	4,926	8,500	-3,574	1.73
Citrus........	1,109	2,905	-1,796	2.62
Citrus Tree...	291	6,280	-5,989	21.58
Combined Crop.	0	0	0	0.00
Corn..........	108,970	115,605	-6,635	1.06
Cotton........	40,899	74,524	-33,625	1.82
Cranberry.....	121	64	57	0.53
Flax..........	441	458	-17	1.04
Forage Prod...	7	18	-11	2.57
Forage Seed...	4	5	-1	1.25
Grain Sorghum.	18,438	35,834	-17,396	1.94
Grape.........	6,946	12,891	-5,945	1.86
Grape, Table..	1,519	4,916	-3,397	3.24
Hybrid Seed...	1,156	4,810	-3,654	4.16
Oat...........	1,885	1,891	-6	1.00
Pea...........	576	429	147	0.74
Peach.........	1,142	1,754	-612	1.54
Peanut........	12,847	19,104	-6,257	1.49
Pepper........	183	296	-113	1.62
Popcorn.......	302	948	-646	3.14
Potato........	1,692	3,526	-1,834	2.08
Prev. Planting	0	0	0	0.00
Raisin........	23,520	23,346	174	0.99
Rice..........	708	1,299	-591	1.83
Rye...........	35	18	17	0.51
Soybean.......	83,826	149,099	-65,273	1.78
Sugar Beet....	2,419	1,293	1,126	0.53
Sugarcane.....	879	3,670	-2,791	4.18
Sunflower.....	6,509	8,732	-2,223	1.34
Sweet Corn....	120	103	17	0.86
Tobacco.......	22,626	25,233	-2,607	1.12
Tomato........	4,772	5,475	-703	1.15
Tomato, Fresh.	258	957	-699	3.71
Walnut........	125	115	10	0.92
Wheat.........	88,622	98,371	-9,749	1.11
Sub-total.....	454,554	636,137	-181,583	1.40
Puerto Rico Reins. (NEW)	4,325	1,499	2,826	0.35
GRAND TOTAL...	458,879	637,636	-178,757	1.39

Excess of indemnities over premiums indicated by (-) minus sign.

REINSURANCE OPERATIONS - SUMMARY OF EXPERIENCE 1981-84
(Dollars in Thousands)

Year	Amount of Protection	Premium	Indemnities	Premium	Indemnities	Loss Ratio
				(as % of Protection)		
1981	$ 185,312	$ 12,808	$ 8,688	6.9	4.7	.68
1982	1,282,632	78,009	69,612	6.1	4.9	.80
1983	1,590,900	105,161	181,651	6.6	11.4	1.73
1984	3,952,516	258,576	376,186	6.5	9.5	1.45
Sub-total 1981-84	7,011,360	454,554	636,137	6.5	9.07	1.40
Puerto Rico Reinsurance						
1983	-0-	2,226	693	-0-	-0-	.31
1984	35,094	2,099	806	6.0	2.3	.38
GRAND TOTAL	7,046,454	458,879	637,636	6.5	9.1	1.39

SUMMARY OF REINSURANCE EXPERIENCE 1984

The total 1984 premiums from 48 reinsured companies were $258,575,914 (including subsidy of $59,573,363) and losses of $376,185,658. The FCIC share of $117,609,744 gross underwriting gains/losses from reinsurance as of September 30, 1985, was $93,444,522. At the end of the 5-year extended period, each company with a positive balance in the company reinsurance account is entitled to 20 percent of that balance, but not more than a maximum of 5 percent of the total book premium written by the company during the extendad period. As of September 30, 1985, this amounted to a liability of $935,157 owing to the reinsured companies for the 1984 crop year.

The reinsurance administrative and loss adjustment expenses are paid from appropriated funds.

Following is a recap of premiums, subsidy, losses and expenses for the 1981, 1982, 1983 and 1984 crop years:

	Total Premium	Premium Subsidy	Paid Losses	Adm. Exp	4% Loss Adj Expense	3% Loss Adj Expense
1981	$ 12,807,904	$ 993,518	$ 8,687,500	$ 3,454,980	$ 512,257	$ 260,625
1982	78,008,941	18,282,490	69,612,090	19,090,637	3,121,012	2,088,367
1983	105,160,978	24,232,659	181,651,372	24,821,504	4,206,439	5,449,541
1984	258,575,914	59,573,363	376,185,658	62,906,793	10,333,010	11,285,570

The following tables show data by commodity, crop year 1981 through 1984 (actual):

REINSURANCE OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1981-1984
ALL PROGRAMS
(Dollars in Thousands)

Program And Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection (dollars)	Amount of Premium (dollars)	Amount of Indemnities (dollars)	Loss Ratio
Almond						
1981.......	---	---	---	0	0	0.00
1982.......	---	---	---	0	0	0.00
1983.......	---	139	16,098	1,153	4,245	3.68
1984.......	---	550	39,153	2,896	20	0.01
Total....	---	---	---	4,049	4,265	1.05
Apple						
1981.......	---	---	---	0	0	0.00
1982.......	---	42	950	94	211	2.24
1983.......	---	52	1,035	96	21	0.22
1984.......	---	105	4,110	355	950	2.68
Total....	---	---	---	545	1,182	2.17
Barley						
1981.......	---	---	5,573	504	359	0.71
1982.......	---	2,916	23,481	1,951	890	0.46
1983.......	---	4,433	41,236	3,333	2,619	0.79
1984.......	---	6,874	80,558	6,299	14,353	2.28
Total....	---	---	---	12,087	18,221	1.51
Bean						
1981.......	---	---	87	9	1	0.11
1982.......	---	721	16,505	1,478	4,493	3.04
1983.......	---	944	11,039	900	1,315	1.46
1984.......	---	1,750	31,668	2,539	2,691	1.06
Total....	---	---	---	4,926	8,500	1.73
Citrus						
1981.......	---	---	---	0	0	0.00
1982.......	---	161	4,448	412	132	0.32
1983.......	---	---	---	0	0	0.00
1984.......	---	212	7,572	697	2,773	3.98
Total....	---	---	---	1,109	2,905	2.62
Citrus Tree						
1983.......	---	---	---	0	0	0.00
1984.......	---	41	6,792	291	6,280	21.58
Total....	---	---	---	291	6,280	21.58
Combined Crop						
1981.......	---	---	---	0	0	0.00
1982.......	---	---	---	0	0	0.00
1983.......	---	---	---	0	0	0.00
1984.......	---	---	---	0	0	0.00
Total....	---	---	---	0	0	0.00

REINSURANCE OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1981-1984
ALL PROGRAMS
(Dollars in Thousands)

Program And Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection (dollars)	Amount of Premium (dollars)	Amount of Indemnities (dollars)	Loss Ratio
Corn						
1981.......	---	---	79,164	4,739	1,781	0.38
1982.......	---	19,307	362,054	18,915	9,970	0.53
1983.......	---	24,086	325,272	17,178	45,602	2.65
1984.......	---	58,792	1,299,599	68,138	58,252	0.85
Total....	---	---	---	108,970	115,605	1.06
Cotton						
1981.......	---	---	5,648	659	894	1.36
1982.......	---	874	29,448	3,273	7,790	2.38
1983.......	---	2,074	66,736	7,138	13,090	1.83
1984.......	---	9,951	261,512	29,829	52,750	1.77
Total....	---	---	---	40,899	74,524	1.82
Cranberry						
1984.......	---	22	1,597	121	64	0.53
Total....	---	---	---	121	64	0.53
Flax						
1981.......	---	---	18	2	0	0.00
1982.......	---	429	1,132	149	191	1.28
1983.......	---	429	886	119	124	1.04
1984.......	---	491	1,356	171	143	0.84
Total....	---	---	---	441	458	1.04
Forage Production						
1981.......	---	---	2	0	2	0.00
1982.......	---	6	16	1	2	2.00
1983.......	---	2	7	0	1	0.00
1984.......	---	12	96	6	13	2.17
Total....	---	---	---	7	18	2.57
Forage Seeding						
1981.......	---	---	---	0	0	0.00
1982.......	---	18	161	1	3	3.00
1983.......	---	21	17	1	0	0.00
1984.......	---	21	24	2	2	1.00
Total....	---	---	---	4	5	1.25
Grain Sorghum						
1981.......	---	---	16,190	1,427	1,381	0.97
1982.......	---	3,485	36,683	3,081	2,951	0.96
1983.......	---	4,276	36,154	3,205	5,518	1.72
1984.......	---	10,761	122,737	10,725	25,984	2.42
Total....	---	---	---	18,438	35,834	1.94

REINSURANCE OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1981-1984
ALL PROGRAMS
(Dollars in Thousands)

Program And Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection (dollars)	Amount of Premium (dollars)	Amount of Indemnities (dollars)	Loss Ratio
Grape						
1981.......	---	---	---	0	0	0.00
1982.......	---	1	12	1	0	0.00
1983.......	---	788	63,828	3,783	9,816	2.59
1984.......	---	1,049	47,829	3,162	3,075	0.97
Total....	---	---	---	6,946	12,891	1.86
Grape, Table						
1984.......	---	198	19,021	1,519	4,916	3.24
	---	---	---	1,519	4,916	3.24
Hybrid Seed						
1983.......	---	59	1991	84	1328	15.81
1984.......	---	466	20336	1072	3482	3.25
Total....	---	---	---	1,156	4,810	4.16
Oat						
1981.......	---	---	1,541	163	316	1.94
1982.......	---	2,461	5,879	586	314	0.54
1983.......	---	2,372	4,516	478	338	0.71
1984.......	---	3,055	6,087	658	923	1.40
Total....	---	---	---	1,885	1,891	1.00
Pea						
1981.......	---	---	---	0	0	0.00
1982.......	---	112	1,057	71	23	0.32
1983.......	---	235	2,524	187	179	0.96
1984.......	---	392	4,078	318	227	0.71
Total....	---	---	---	576	429	0.74
Peach						
1981.......	---	---	---	0	0	0.00
1982.......	---	13	1,400	120	273	2.28
1983.......	---	30	3,767	327	1,082	3.31
1984.......	---	79	7,486	695	399	0.57
Total....	---	---	---	1,142	1,754	1.54
Peanut						
1981.......	---	---	---	0	0	0.00
1982.......	---	1,244	34,731	1,689	1,454	0.86
1983.......	---	1,652	59,428	3,323	11,443	3.44
1984.......	---	3,339	132,530	7,835	6,207	0.79
Total....	---	---	---	12,847	19,104	1.49

REINSURANCE OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1981-1984
ALL PROGRAMS
(Dollars in Thousands)

Program And Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection (dollars)	Amount of Premium (dollars)	Amount of Indemnities (dollars)	Loss Ratio
Pepper						
1984.......	---	6	1,609	183	296	1.62
	---	---	---	183	296	1.62
Popcorn						
1984.......	---	175	5,107	302	948	3.14
Total....	---	---	---	302	948	3.14
Potato						
1981.......	---	---	---	0	0	0.00
1982.......	---	18	2,308	126	120	0.95
1983.......	---	44	4,698	236	630	2.67
1984.......	---	231	25,868	1,330	2,776	2.09
Total....	---	---	---	1,692	3,526	2.08
Prevented Planting						
1982.......	---	---	---	0	0	0.00
1983.......	---	---	---	0	0	0.00
1984.......	---	---	---	0	0	0.00
Total....	---	---	---	0	0	0.00
Raisin						
1981.......	---	---	---	0	0	0.00
1982.......	---	---	---	0	0	0.00
1983.......	---	2,474	152,148	15,042	19,112	1.27
1984.......	---	2,675	105,709	8,478	4,234	0.50
Total....	---	---	---	23,520	23,346	0.99
Rice						
1981.......	---	---	---	0	0	0.00
1982.......	---	25	1,672	41	63	1.54
1983.......	---	43	2,329	77	292	3.79
1984.......	---	370	16,772	590	944	1.60
Total....	---	---	---	708	1,299	1.83
Rye						
1981.......	---	---	---	0	0	0.00
1982.......	---	16	73	10	10	1.00
1983.......	---	26	85	10	1	0.10
1984.......	---	37	129	15	7	0.47
Total....	---	---	---	35	18	0.51

REINSURANCE OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1981-1984
ALL PROGRAMS
(Dollars in Thousands)

Program And Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection (dollars)	Amount of Premium (dollars)	Amount of Indemnities (dollars)	Loss Ratio
Soybean						
1981.......	---	---	28,642	1,803	1,228	0.68
1982.......	---	15,496	195,913	12,639	14,802	1.17
1983.......	---	20,988	211,599	15,469	28,235	1.83
1984.......	---	48,855	716,023	53,915	104,834	1.94
Total....	---	---	---	83,826	149,099	1.78
Sugar Beet						
1981.......	---	---	6,378	334	32	0.10
1982.......	---	181	10,518	548	102	0.19
1983.......	---	198	10,601	510	413	0.81
1984.......	---	331	20,102	1,027	746	0.73
Total....	---	---	---	2,419	1,293	0.53
Sugarcane						
1981.......	---	---	---	0	0	0.00
1982.......	---	---	---	0	0	0.00
1983.......	---	23	4,858	234	1,779	7.60
1984.......	---	39	12,721	645	1,891	2.93
Total....	---	---	---	879	3,670	4.18
Sunflower						
1981.......	---	---	4,698	388	397	1.02
1982.......	---	1,868	25,109	2,046	2,723	1.33
1983.......	---	1,751	17,859	1,447	1,534	1.06
1984.......	---	2,771	33,001	2,628	4,078	1.55
Total....	---	---	---	6,509	8,732	1.34
Sweet Corn						
1981.......	---	---	7	0	0	0.00
1982.......	---	28	128	9	11	1.22
1983.......	---	45	342	25	50	2.00
1984.......	---	116	1,328	86	42	0.49
Total....	---	---	---	120	103	0.86
Tobacco						
1981.......	---	---	4,825	133	210	1.58
1982.......	---	8,010	220,549	5,585	4,309	0.77
1983.......	---	9,461	243,983	6,827	15,637	2.29
1984.......	---	15,774	342,693	10,081	5,077	0.50
Total....	---	---	---	22,626	25,233	1.12

REINSURANCE OPERATIONS - CROP INSURANCE EXPERIENCE BY YEAR 1981-1984
ALL PROGRAMS
(Dollars in Thousands)

Program And Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection (dollars)	Amount of Premium (dollars)	Amount of Indemnities (dollars)	Loss Ratio
Tomato						
1981.......	---	---	---	0	0	0.00
1982.......	---	7	248	19	3	0.16
1983.......	---	143	27,107	1,529	2,224	1.45
1984.......	---	263	54,373	3,224	3,248	1.01
Total....	---	---	---	4,772	5,475	1.15
Tomato, Fresh						
1984.......	---	8	3981	258	957	3.71
Total....	---	---	---	258	957	3.71
Walnut						
1984.......	---	58	2208	125	115	0.92
Total....	---	---	---	125	115	0.92
Wheat						
1981.......	---	---	32,539	2,647	2,087	0.79
1982.......	---	18,941	308,157	25,164	18,772	0.75
1983.......	---	22,095	280,757	22,450	15,023	0.67
1984.......	---	32,530	516,751	38,361	62,489	1.63
Total....	---	---	---	88,622	98,371	1.11
Sub-total (Excludes Puerto Rico Insurance)						
1981.......	---	---	185,312	12,808	8,688	0.68
1982.......	---	76,380	1,282,632	78,009	69,612	0.89
1983.......	---	98,883	1,590,900	105,161	181,651	1.73
1984.......	---	202,399	3,952,516	258,576	376,186	1.45
Total....	---	---	---	454,554	636,137	1.40
Puerto Rico Reins. (New)						
1983.......	---	---	---	2,226	693	0.31
1984.......	---	3,713	35,094	2,099	806	0.38
Total....	---	---	---	4,325	1,499	0.35
Grand Total						
1948-1981..	---	---	185,312	12,808	8,688	0.68
1982.......	---	76,380	1,282,632	78,009	69,612	0.89
1983.......	---	98,883	1,590,900	107,387	182,344	1.70
1984.......	---	206,112	3,987,610	260,675	376,992	1.45
Total....	---	---	---	458,879	637,636	1.39

TUESDAY, MARCH 11, 1986.

SOIL CONSERVATION SERVICE

WITNESSES

PETER C. MYERS, ASSISTANT SECRETARY FOR NATURAL RESOURCES AND ENVIRONMENT

WILSON SCALING, CHIEF, SOIL CONSERVATION SERVICE

JOHN W. PETERSON, DEPUTY CHIEF, ADMINISTRATION, SOIL CONSERVATION SERVICE

RICHARD L. DUESTERHAUS, DEPUTY CHIEF, ASSESSMENT AND PLANNING, SOIL CONSERVATION SERVICE

GALEN S. BRIDGE, DEPUTY CHIEF, PROGRAMS, SOIL CONSERVATION SERVICE

THOMAS (ROCKY) ROCKENBAUGH, ASSOCIATE CHIEF, SOIL CONSERVATION SERVICE

WILLIAM E. GARDNER, JR., DIRECTOR, BUDGET PLANNING AND ANALYSIS DIVISION, SOIL CONSERVATION SERVICE

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

INTRODUCTION

Chairman WHITTEN. The hearing will come to order.

I am sorry to be late, but I had to introduce a bill on the floor having to do with an urgent-urgent supplemental request for the CCC.

We have with us today Mr. Peter C. Myers, Assistant Secretary for Natural Resources and Environment, and Mr. Wilson Scaling, Chief, Soil Conservation Service.

IMPACT OF FARM PROGRAMS

Contrary to some of the news stories from the Midwest, we have appointed Conferees for the $5 billion urgent supplemental CCC.

Under the House Rules, bills that spend money are supposed to come from the Appropriations Committee. However, the 1985 farm bill waiver that procedure for the first two years of the new program. We went along with the first year waiver and, contrary to news stories, we have not delayed the signup at all. This is the first time we have had a chance to have a Conference.

In the Conference, I hope to insist that whatever they do under these new programs shall not serve to replace conservation programs we now have and that it shall not be used to cut our production back to provide only for the domestic market.

You know, under the PIK program, those billions and billions of dollars that were finally paid folks to grow more cotton was to pay them for not growing cotton under the earlier program. There was not really any surplus.

Not only that, but we never could get a legal opinion from the Solicitor's office that PIK was legal. Unfortunately, under that program we cut our agricultural production by 11 percent. Our competitors increased theirs by 11 percent and picked up our markets.

So we are trying our best to go along with the new program for what it's worth, but it does not pay to give attention just to those areas of bad erosion and in the process let the rest of our land become badly eroded. We must protect all of it.

Now, Mr. Myers and Mr. Scaling, with this new program, which many seem to think is so good, I believe it could be highly dangerous. If we sign up land for two years and cut production we never would get our markets back if we failed to use the CCC sales program. When the Commodity Credit Corporation was set up, we set up for "the purpose of supporting prices and reducing the offering price in world trade to retain our foreign markets."

Former Secretary Butz would not use the CCC sales authority. But he did use the grain trade to sell to Russia. May I point out again, as I have so many times, embargoes were established in 1973, 1974, 1975 and 1980, which held our production off world markets. Also, since 1980, CCC has failed to sell at competitive prices. This has reduced our export sales, since nobody can sell anything if they don't make the price right.

Somehow our people have been sold on the idea that we have to reduce the price in the United States before we can sell in world trade. That is not true, but by Government policy that practice has been followed.

I have pointed out so many times that, since World War II, the farmers' share of the consumer dollar has gone from 51 percent down to 27. Labor and industry's share has gone up from 49 percent to 73 percent, under law. As a result, the farmer has to look to appropriations from the Treasury to compete with the rest of the people for the consumer dollar.

I think that is unsound and I will repeat it every chance I have. Where we can do something for agriculture we better do it because it provides our food, clothing and shelter—our basics.

IMPORTANCE OF CONSERVATION

Looking at the SCS budget, in 1986 before Gramm-Rudman you had $666 million. Under the President's budget, it is cut to $457 million. And $106 million of that $457 million is to pay termination benefits for the folks he proposes to sever. This leaves a program reduction of $666 to $350 million.

So on its face, there seems to be an effort to eliminate this program that has done such a great job through the years. I repeat for the record, under the Agricultural Conservation Program about two-thirds of the cost is paid by the farmer, and one-third by the Government. Labor is about half the farmer's cost on the average.

Now, it is true that this program has not prospered like it should have. We have had folks in the Department in charge of it who did not believe in it. I know this because it has been evident.

We also had farmers who, due to the bad situation they faced financially, were just not able to put up their share of the cost.

I am going to read a statement for the record at this point. This has been used in the record many, many times. It was in a 1936 bulletin that was issued by the Department and is after an official who having been through the worn out countries of the Middle East and Asia, suggested we ought to have an Eleventh Commandment. When invited to broadcast a talk on soil conservation in Jerusalem in June 1939, he gave for the first time what has been called the Eleventh Commandment as follows: "Thou shalt inherit the Holy Earth as a faithful steward, conserving its resources and productivity from generation to generation. Thou shalt safeguard thy fields from soil erosion, thy living waters from drying up, thy forests from desolation, and protect thy hills from overgrazing by thy herds, that thy descendants may have abundance forever. If any shall fail in this stewardship of the land, thy fruitful fields shall become sterile stony ground and wasting gullies, and thy descendants shall decrease and live in poverty or perish from off the face of the earth."

In testifying before Mr. Brooks' Committee this morning, I said: "Keep in mind, of all these reductions the administration is advocating to us, not a dime is going toward the deficit or the debt. It is all going to increase the carryover for military spending from $244 billion at the end of last year to $299 billion for the next year."

Now, tell us why we should cut our conservation programs for that purpose.

Mr. Myers, do you have any comments?

Mr. **Peter Myers**. Well, let me say, first, Mr. Chairman, I have always appreciated your deep dedication to soil and water conservation.

The answer to the question is difficult. It is a matter of where the Administration puts priorities.

Mr. **Whitten**. In other words, it is a matter of higher priority to increase the carryover of unexpended military money in your Administration's book than to look after the land on which we all depend.

Mr. **Peter Myers**. No. We are going to let the landowners look after their own land.

Mr. **Whitten**. Well, you said it was a matter of priorities.

Mr. **Peter Myers**. That's right.

Mr. **Whitten**. Is that what you mean?

Mr. **Peter Myers**. It is the Administration's priority.

Mr. **Whitten**. I thought you were a part of it, but maybe not.

Any further comment?

Mr. **Peter Myers**. No, sir.

With your permission, Mr. Chairman, I would like to submit my statement for the record. Mr. Scaling will provide a quick overview of the 1987 budget request for SCS.

[Clerk's note.—The full text of Mr. Myers' prepared statement appears on pages 520 through 523. The full text of Mr. Scaling's prepared statement appears on pages 524 through 529. The explanatory notes appear on pages 530 through 640. Biographical sketches appear on pages 517 through 519.]

Mr. **Whitten.** Mr. Scaling, we will take your statement now. I think you all are as unhappy about this as I am.

Go ahead with your statement.

Mr. **Scaling.** I would like to make a few brief remarks regarding the SCS budget request for 1987. My prepared statement has already been submitted.

OVERVIEW OF 1987 BUDGET REQUEST

Mr. **Scaling.** I believe very strongly in the mission of the Soil Conservation Service to work to protect our country's valuable soil and water resources. We have made significant progress in this mission through the joint efforts of local, state and Federal agencies working hand in hand with private citizens throughout the Nation.

This proven partnership will continue to serve us well even in these times of constrained Federal budgets.

The primary feature of our 1987 budget request is that it includes funding to maintain a full technical assistance program. That is the mainstay of our agency. I personally am very committed to keeping our field office work force as strong as possible in order to better serve these local farmers and ranchers.

It is at this level, working directly with the farmers, ranchers and other landowners, through local soil and water conservation districts that SCS has made its greatest impact. This vital work must be continued.

The 1987 budget request also would permit us to continue to carry out soil surveys and snow surveys, and to operate our plant material centers as those programs provide direct support to our technical assistance program.

Mr. Chairman, the rest of the 1987 proposals are included in detail already sent to the Committee. With your permission, sir, I would like to mention the importance of our soil survey data which is basic to all conservation planning and application work that is carried out under Federal as well as state and local conservation programs.

In recent years, there has been an increased demand for soil survey information brought about primarily because of increasing public awareness of the need to conserve our soil and water resources, and the related growth in non-Federal conservation programs.

The Soil Conservation Service provides the leadership for soil survey and has been working for a number of years to complete soil surveys for the entire Nation. Out state and local agencies have contributed a significant amount of their resources to help us speed up this work.

Within the Soil Conservation Service we have improved the management of our soil survey program to increase our own productivity. Still, we are looking at about nine more years worth of work if we continue at the current rate.

We need to complete as many of these soil surveys as we can in the next few years. The $3.5 million we are proposing to reprogram in 1986 would enable us to increase our efforts in areas with large unmapped acreages and to make some much needed technological and other long-term improvements in the soil survey program.

We believe this reprogramming request is a positive, cost-effective action to address an urgent need. We would appreciate your early approval of this proposal so that we could proceed with this much-needed effort.

Mr. Chairman, I appreciate this chance to be in front of you. My staff or I will be happy to answer any questions that you might have.

Mr. **Whitten**. We are, indeed, glad to have you folks here. The 1987 budget proposals are hard for me to understand. You know, those engaged in agriculture have control of about 80 or 85 percent of the land area of the United States. As was said in the Eleventh Commandment, they are stewards of the land.

Some people wonder why we have these national programs to take care of a farmers's land. But when you realize that it is going to wear out, as it has in the past, all of us have an interest in protecting it. I recall back a few years—Mr. Natcher was here and I think Mr. Smith was here—when President Eisenhower vetoed a public works bill saying that due to financial problems at home and abroad, we just simply could not afford the 63 new starts in public works to look after our own country.

It came back to Congress and we failed to override his veto. It was referred back to the Appropriations Committee and Mr. Kirwin, who was then Chairman of the Subcommittee, and I offered an amendment that cut everything 2½ percent and saved those 63 new starts.

So we were successful in overriding his veto on the second effort and I used his veto message to do so. It read: "The more we owe, the worse our situation, the more imperative it is to take care of our own land on which all the rest depends."

I am proud of that. And, through the years, had we not taken care of our land, we would be like China and India. Now, if our financial situation is as serious as many claim it is where we have increased the public debt a trillion dollars in five years, to say that we have to get price by scarcity is wrong. People ought to read about Joseph in the Bible.

It does not make sense to quit looking after our own land, while trying to increase looking after everybody else's land around the world. The record shows that there are 125 countries where the people are begging for food and clothing; yet we send them guns, ammunition, airplanes and bombs. That does not make sense to me either.

USDA BUDGET REQUEST FOR SCS.

Mr. Myers, did you propose this to the Office of Budget Management for 1987?

Mr. **Peter Myers**. No, we did not.

Mr. **Whitten**. Could you tell us what you did propose?

Mr. **Peter Myers**. Yes, sir.

Our total proposal to OMB was $561 million.

IMPACT OF BUDGET CUTS

Mr. **Whitten**. Maybe you do not have it worked out, but tell us for the record how you would apply the program cuts if we went along. Just tell us how, if we did go along with this cut, how you would apply it.

Mr. **Peter Myers**. We would terminate several of the programs, Mr. Whitten. We have proposed a rescission to begin terminating the Great Plains Program in 1986 so it would be finally terminated by the beginning of 1987.

We would also terminate River Basin Surveys, Watershed Planning, Watershed and Flood Prevention Operations, and Resource Conservation and Development in 1987.

Mr. **Whitten**. As chairman of the full Appropriations Committee I serve on the Energy and Water Subcommittee—and I have been on that Committee for years. We had a conflict of jurisdiction between SCS and the Corps of Engineers. We fixed it where the Corps of Engineers and the Soil Conservation Service could use the different authorities, which each has, to work together for a common purpose.

In my area, where the Mississippi Valley joins the hills, you know all about that situation—it is a perfect example of the hills joining the flatlands. When I came here, the Corps of Engineers handled the bottom land, the delta proper; the Soil Conservation Service handled the hills; but, in between, nobody handled it.

So we finally provided that, where one laid the shovel down, the other's responsibility started. We got it where they work together. If you don't hold the water back in the hills, you cannot control it when it gets to the flatlands. They know that now.

After all these years, we have finally put together a program which has been working and here you advocate we abolish it. Why?

Mr. **Peter Myers**. First of all, we think the states can do this work. Secondly, as you said, the Corps of Engineers is doing a good job on the major projects. We feel that we can rely on this arrangement during this time until we get the deficit under control.

Mr. **Whitten**. I am not going to continue this, because I don't believe there is anybody here who believes in this budget. If you differ, I will be glad to stay quiet a minute and let anybody here that believes in it hold up his hand. [Laughter.]

I don't see a single hand raised, for the record. [Laughter.]

I'm not going to tell the President about it.

Mr. **Whitten**. Would you please spell out in the record how you will apply this cut by state, if we went along.

Mr. **Peter Myers**. We can provide that for the record.

Mr. **Whitten**. We would appreciate your helping us with that information.

Mr. **Peter Myers**. Certainly.

[The information follows:]

SCS BUDGET REDUCTIONS BY STATE

STATE	FY1986 CURRENT ESTIMATE	FY1987 BUDGET PROPOSAL	LESS PROGRAM TERMINATIONS	FY1987 ONGOING PROGRAMS	CHANGE IN ONGOING PROGRAMS
ALABAMA	$10,354,710	$8,640,831	-$1,685,831	$6,955,000	-$3,399,710
ALASKA	1,989,860	2,015,428	-441,428	1,574,000	-415,860
ARIZONA	10,989,050	5,910,531	-1,837,531	1,073,000	-6,916,050
ARKANSAS	13,448,050	10,223,231	-2,588,231	1,635,000	-5,813,050
CALIFORNIA	22,584,680	14,205,876	-3,015,876	11,190,000	-11,394,680
COLORADO	12,627,370	9,614,318	-815,318	8,799,000	-3,828,370
CONNECTICUT	3,028,790	1,887,733	-781,733	1,106,000	-1,922,790
DELAWARE	2,090,800	1,531,311	-878,311	653,000	-1,437,800
FLORIDA	7,227,490	6,611,675	-875,675	5,736,000	-1,491,490
GEORGIA	11,655,490	9,980,394	-1,741,394	8,239,000	-3,416,490
HAWAII	5,263,900	2,772,525	-702,525	2,070,000	-3,193,900
IDAHO	8,199,890	7,375,098	-1,010,098	6,365,000	-1,834,890
ILLINOIS	19,240,960	10,953,535	-1,577,535	9,376,000	-9,864,960
INDIANA	10,924,910	9,694,970	-1,681,970	8,013,000	-2,911,910
IOWA	16,248,780	13,246,037	-2,962,037	10,284,000	-5,964,780
KANSAS	17,156,630	12,449,079	-2,754,079	9,695,000	-7,461,630
KENTUCKY	10,445,020	9,265,730	-1,277,730	7,988,000	-2,457,020
LOUISIANA	11,680,510	7,462,507	-2,139,507	5,323,000	-6,357,510
MAINE	3,636,840	2,725,781	-680,781	2,045,000	-1,591,840
MARYLAND	4,960,040	3,823,826	-621,826	3,202,000	-1,758,040
MASSACHUSETTS	3,964,390	2,364,143	-792,143	1,572,000	-2,392,390
MICHIGAN	8,693,540	7,648,765	-955,765	6,693,000	-2,000,540
MINNESOTA	12,554,070	9,874,383	-1,916,383	7,958,000	-4,596,070
MISSISSIPPI	37,836,860	14,082,272	-6,700,272	7,382,000	-30,454,860
MISSOURI	14,515,970	12,625,454	-2,390,454	10,235,000	-4,280,970
MONTANA	10,703,940	8,129,911	-1,041,911	7,088,000	-3,615,940
NEBRASKA	15,773,990	11,605,247	-2,008,247	9,597,000	-6,176,990
NEVADA	3,171,760	2,870,467	-270,467	2,600,000	-571,760
NEW HAMPSHIRE	2,434,810	2,187,388	-823,388	1,364,000	-1,070,810
NEW JERSEY	4,697,470	2,627,372	-786,372	1,841,000	-2,856,470
NEW MEXICO	10,073,310	7,313,070	-1,385,070	5,928,000	-4,145,310
NEW YORK	10,187,450	8,010,147	-1,673,147	6,337,000	-3,850,450
NORTH CAROLINA	11,529,630	9,541,738	-2,027,738	7,514,000	-4,015,630
NORTH DAKOTA	8,700,950	6,783,226	-897,226	5,886,000	-2,814,950
OHIO	15,038,830	9,654,365	-2,120,365	7,534,000	-7,504,830
OKLAHOMA	22,374,450	13,414,014	-4,870,014	8,544,000	-13,830,450
OREGON	8,260,220	6,844,802	-866,802	5,978,000	-2,282,220
PENNSYLVANIA	12,721,010	7,839,630	-1,788,630	6,051,000	-6,670,010
PUERTO RICO	2,896,770	2,535,990	-448,990	2,087,000	-809,770
RHODE ISLAND	602,940	551,194	-163,194	388,000	-214,940
SOUTH CAROLINA	6,728,200	5,645,220	-1,206,220	4,439,000	-2,289,200
SOUTH DAKOTA	8,934,530	6,569,585	-659,585	5,910,000	-3,024,530
TENNESSEE	12,936,770	9,183,626	-2,032,626	7,151,000	-5,785,770
TEXAS	48,046,210	32,647,258	-8,359,258	24,288,000	-23,758,210
UTAH	5,627,730	5,379,996	-658,996	4,721,000	-906,730
VERMONT	3,050,580	2,264,922	-747,922	1,517,000	-1,533,580
VIRGINIA	17,016,690	8,258,389	-2,493,389	5,765,000	-11,251,690
WASHINGTON	9,352,070	8,039,934	-1,046,934	6,993,000	-2,359,070
WEST VIRGINIA	39,355,890	6,940,938	-2,936,938	4,004,000	-35,351,890
WISCONSIN	9,481,270	6,579,657	-654,657	5,925,000	-3,556,270
WYOMING	6,232,030	4,838,720	-508,720	4,330,000	-1,902,030
CHESTER NTC	3,196,050	2,914,026	-1,263,026	1,651,000	-1,545,050
FORT WORTH NTC	13,447,840	13,079,448	-3,556,448	9,523,000	-3,924,840
LINCOLN NTC	5,635,870	5,325,336	-1,451,336	3,874,000	-1,761,870
PORTLAND NTC	5,920,860	5,478,400	-2,005,400	3,473,000	-2,447,860
NATIONAL HDQTRS	33,839,703	33,888,551	-9,768,551	24,120,000	-9,719,703
ERS ALLOCATION	167,500	0	0	0	-167,500
FmHA ALLOCATION	613,400	359,000	-359,000	0	-613,400
FS ALLOCATION	5,858,800	2,839,000	-2,839,000	0	-5,858,800
TOTAL........	$655,928,123	$457,126,000	-$106,544,000	$350,582,000	-$305,346,123

CONSERVATION RESERVE PROGRAM

Mr. **Whitten**. For the benefit of the record please provide a listing and brief description of all the new or expanded conservation programs contained in the Food Security Act of 1985?

[The information follows:]

Sodbuster.—This provision makes producers ineligible for benefits of certain USDA programs if they bring highly erodible land into cultivation after December 23, 1985, unless they do so under a conservation system approved by the local soil and water conservation district or by the Secretary. If highly erodible land is already being cultivated in the 1981-1985 crop years, the producers will need to begin applying an approved conservation plan not later than January 1, 1990, and complete its implementation by 1995.

Swampbuster.—Under this provision, agricultural producers will not be eligible for benefits of certain USDA programs if they produce agricultural commodities on wetlands that has been substantially altered or drained for that purpose after December 23, 1985.

Conservation Reserve.—Under this program, farmers may voluntarily remove highly erodible cropland from production. In order to participate in the program, farmers must sign a 10-year contract with USDA under which they agree to take eligible land out of annual crop production and plant it to perennial grasses, wildlife plantings, windbreaks or trees. Participants will receive an annual rental payment based on a per acre bid which they must make when they signup for the program. Rental payments will be made to compensate farmers for retiring highly erodible cropland from crop production. Participants will also receive 50 percent of the eligible costs of establishing trees or grass on the areage placed in the reserve.

Conservation Compliance.—This provision requires that all highly erodible land must be farmed according to an approved conservation system or according to an approved conservation plan by January 1, 1990 to continue to be eligible for farm program benefits. Land users may have until January 1, 1995 to complete required conservation work if they are actively following a conservation plan approved by the conservation district.

CONSERVATION RESERVE PROGRAM

Mr. **Whitten**. In the National Resource Inventory of 1982, there were approximately 104 million acres identified as either eroding or having potential to erode at a rate twice the tolerable soil loss levels. Will the Agriculture Conservation Reserve (ACR) program direct itself to those lands? Do you have an estimate of the geographic distribution of the proposed 5 million acres to be enrolled in 1986 and the 10 million acres to be enrolled in 1987? Please provide.

Mr. **Scaling**. Mr. Chairman, to be sure the most erosive land enters the reserve first, we have restricted bidding for entry into the 1986 program to land eroding three times the tolerable level. We will provide the geographical distribution for the record.

[The information follows:]

CONSERVATION RESERVE PROGRAM, ACRES ELIGIBLE, USING 3T CRITERIA

[In thousands of acres]

State	Total eligible cropland	1986 5 Million acres	1987 10 Million acres
AL	842.2	60.6	121.2
AZ	54.4	3.9	7.8
AR	465.6	33.5	101.5
CA	634.0	45.6	91.2
CO	3,677.6	264.6	529.2
CT	47.8	3.4	6.8
DE	13.9	1.0	2.0

CONSERVATION RESERVE PROGRAM, ACRES ELIGIBLE, USING 3T CRITERIA—Continued

[In thousands of acres]

State	Total eligible cropland	1986 5 Million acres	1987 10 Million acres
FL	388.8	28.0	56.0
GA	766.2	55.1	110.2
HI	53.7	3.9	7.8
ID	1,697.7	122.2	244.4
IL	3,053.2	219.7	439.4
IN	1,529.4	110.0	220.0
IA	6,624.2	476.6	953.2
KS	2,525.3	181.7	363.4
KY	1,431.4	103.0	206.0
LA	178.3	12.8	21.6
ME	82.1	5.9	11.8
MD	241.8	17.4	34.8
MA	44.4	3.2	6.4
MI	679.3	48.9	97.8
MN	1,904.2	137.0	274.0
MS	1,092.9	78.6	157.2
MO	4,072.6	293.0	586.0
MT	4,995.6	359.4	718.8
NE	3,142.2	226.1	452.2
NV	192.1	13.8	27.6
NH	23.0	1.7	3.4
NJ	151.4	10.9	21.8
NM	543.2	39.1	78.2
NY	536.3	38.6	77.2
NC	1,142.0	82.2	164.4
ND	2,053.9	147.8	295.6
OH	891.1	64.1	128.2
OK	1,459.7	105.0	210.0
OR	1,009.8	72.7	145.4
PA	1,142.9	82.2	164.4
RI	2.5	.2	.4
SC	214.3	15.4	30.8
SD	1,655.6	119.1	238.2
TN	1,589.6	114.4	228.8
TX	11,465.3	825.0	1,656.0
UT	329.3	23.7	47.4
VT	49.5	3.6	7.2
VA	606.3	43.6	87.2
WA	1,582.4	113.9	227.8
WV	203.7	14.7	29.4
WI	1,830.3	131.7	263.4
WY	350.5	25.2	50.4
Carb	226.5	16.3	32.6
Total	69,489.6	5,000.0	10,000.0

CONSERVATION RESERVE PROGRAM GUIDANCE

Mr. WHITTEN. Would you please provide for the record copies of any guidance issued to SCS field offices concerning the ACR? Also provide copies of any proposed rules, regulations, and/or implementing plans issued to date.

Mr. SCALING. The rules were scheduled to be published in the Federal Register March 13, 1986. I would note, Mr. Chairman, that USDA staff through an extraordinary effort were able to have these rules and the program developed in advance of the 180 days allowed by law. We will be glad to furnish copies of guidance issued to SCS field offices for the record.

[The information follows:]

federal register

Thursday
March 13, 1986

Part IV

Department of Agriculture

Agricultural Stabilization and Conservation Service

7 CFR Part 704

Conservation Reserve Program; Interim Rule

DEPARTMENT OF AGRICULTURE

Agricultural Stabilization and Conservation Service

7 CFR Part 704

Conservation Reserve Program (CRP)

AGENCY: Agricultural Stabilization and Conservation Service, USDA.

ACTION: Interim rule.

SUMMARY: The purpose of this interim rule is to set forth the terms and conditions of the Conservation Reserve Program (CRP) authorized by Title XII of the Food Security Act of 1985 (Pub. L. 99–198). Under the CRP, the Secretary of Agriculture is authorized to enter into long-term contracts with owners and operators of highly erodible cropland to assist such owners and operators in conserving and improving the Nation's soil and water resources. By entering into a contract, the owner or operator agrees to implement a conservation plan approved by the local Conservation District for converting highly erodible cropland normally devoted to the production of an agricultural commodity to a less intensive use. The Secretary will provide technical assistance, share some of the costs of establishing the conservation practices required by the conservation plan, and make an annual land rental payment to compensate the owner or operator for taking the cropland out of production.

DATE: This interim rule shall become effective on March 3, 1986. Comments must be received on or before May 12, 1986 in order to be assured of consideration.

ADDRESS: Comments may be mailed to the Director, Conservation and Environmental Protection Division, ASCS, P.O. Box 2415, Washington, DC 20013.

FOR FURTHER INFORMATION CONTACT: Mr. Gordell A. Brown, Director, Conservation and Environmental Protection Division, ASCS, P.O. Box 2415, Washington, D.C. 20013, (202) 447–6221.

SUPPLEMENTARY INFORMATION: This interim rule has been reviewed under USDA procedures established in accordance with Executive Order 12291 and provisions of Departmental Regulation 1512–1 and has been classified as "major." It has been determined that these provisions will result in an annual effect on the national economy of $100 million or more. However, no major increase in costs or prices for consumers, individual industries, State, or local government agencies, or geographic regions, or significant adverse effects on competition, employment, investment, productivity, innovation, or on the ability of United States-based enterprises to compete with foreign-based enterprises in domestic or export markets will result upon implementation of these provisions. A preliminary regulatory impact analysis has been prepared and is available upon request.

It has been determined that the Regulatory Flexibility Act is not applicable to this rule since the Commodity Credit Corporation (CCC) is not required by 5 U.S.C. 533 or any other provision of law to publish a notice of proposed rulemaking with respect to the subject matter of this rule.

It has been determined by an environmental assessment that this action will have no significant adverse impacts on the quality of the human environment.

Therefore, an environmental impact statement is not needed. Copies of the environmental assessment are available upon written request.

The information collection requirements contained in this rule will not become effective until they have been approved by the Office of Management and Budget (OMB) in accordance with the Paperwork Reduction Act of 1980 (44 U.S.C. 3507). Such approval has been requested and is under consideration. Comments concerning the information collection requirements contained in this rule may be addressed to the Office of Information and Regulatory Affairs of OMB, Attention: Desk Officer, ASCS/USDA, Washington, D.C. 20503, telephone number (202) 395–7340.

The titles and numbers of the Federal Assistance Program to which this rule applies are: Title: Conservation Reserve Program; Number 10.069, as found in the catalog of Federal Domestic Assistance.

This program/activity is not subject to the provisions of Executive Order 12372 which requires intergovernmental consultation with State and local officials. See Notice related to 7 CFR Part 3015, subpart V, published at 48 FR 29115 (June 24, 1983).

Section 1231 of Title XII of the Food Security Act of 1985 (the "Act") directs the Secretary to formulate and carry out a conservation reserve program during the 1986 through 1990 crop years. The Secretary is authorized to enter into contracts with eligible owners and operators of highly erodible cropland to assist them in conserving and improving the soil and water resources of their farms and ranches by converting such land to permanent vegetative cover. The Secretary is authorized to place in the CRP up to 45 million acres of highly erodible cropland during the 1986 through 1990 crop years.

This interim rule implements the Conservation Reserve Program (CRP) established by the Act.

In order to enter into the CRP, a person who owns or operates highly erodible land must meet the eligibility requirements as set forth in these interim regulations at 7 CFR 704.6 and 704.7. First, a person must have owned the highly erodible land for not less than 3 years prior to the close of the applicable signup period for the program or before January 1, 1985, unless the land was acquired by will or succession or the Commodity Credit Corporation (CCC) determines that ownership was not acquired for the purpose of placing the land in the conservation reserve, or a person must have been an operator of the cropland for the period beginning 3 years prior to the close of the applicable signup period, or January 1, 1985, whichever is later.

Second, the highly erodible land must be cropland, i.e., such land must have been planted or considered planted to produce an agricultural commodity (as defined in the Act) in 2 of the 5 crop years, 1981 through 1985, and it must be physically possible for the land to be planted to an agricultural commodity other than orchards, vineyards, or ornamental plantings.

Third, the highly erodible land must be in a field which has been determined to predominantly consist of land classified by the Soil Conservation Service (SCS) as being Class II, III, IV, and V with an average annual erosion rate of 2 times the soil loss tolerance ("T") or greater as announced by the Secretary, or land classified by the SCS as being Class I VI, VII, or VIII. In order to ensure that program participants place under CRP Contracts the most excessively eroding cropland and cropland subject to the most serious deterioration of productivity, the Secretary has determined that only land which is so classified or has such average annual erosion rates is eligible for the CRP.

Section 1234 of the Act provides that the Secretary may, in accepting contract bid offers, take into consideration the extent of erosion and the productivity of the acreage to be diverted. To provide greater assurance that program participants will first place the most excessively eroding cropland under CRP Contact, the Secretary has announced the average annual rate of erosion must be greater than 3T for land classes II through V offered for contract during the 1986 crop year signup.

The Secretary will, in determining which bid offers to accept for the 1987 through 1990 crop year CRP signup periods, apply a formula which considers the extent of erosion and production on the cropland for which a bid has been offered. This formula is intended to optimize erosion reduction and production adjustment at various bid rates.

Land is considered to have been planted if the cropland base or allotment history has been preserved for land because the land was set-aside or diverted from the production of a commodity in the crop years 1981 through 1985 in order to meet the requirements of production adjustment programs or if the producer was prevented from planting such land to a commodity as a result of a natural disaster. The term "agricultural commodity" means any crop planted and produced by annual tilling of the soil or on an annual basis by one-trip planters or sugar cane planted and produced in a state. This definition is more inclusive of the various commodities produced on farms and ranches than has been traditionally included in Federal commodity production adjustment programs, because the CRP is not limited to those commodities for which acreage bases, allotments, and quotas have been established.

Section 704.11 of the interim rule describes the obligations of participants under the CRP. All participants in the CRP must: (1) Enter into and carry out the terms and conditions of the CRP Contract; (2) implement the conservation plan developed for the eligible cropland as approved by the local conservation district; (3) reduce the aggregate total of acreage bases, allotments, and quotas for the contract period as designated by the participant for each farm which contains land which is subject to a CRP Contract by an amount based upon the ratio between the total cropland acreage on such farm and the total acreage on such farm subject to the CRP Contract; (4) not produce any agricultural commodity on highly erodible land or converted wetland as defined in Section 1201 of the Act and regulations implementing the Act (unless such land is exempted under Sections 1212 and 1222 of the Act); (5) not allow grazing, harvesting, or other commercial use of any crop grown on the land subject to the CRP Contract; (6) maintain the vegetative cover and other conservation practices specified in the conservation plan for the contract period and take other action that may be required by CCC to achieve the reduction in soil erosion necessary to maintain the production capability of the land throughout the CRP Contract period; (7) comply with the noxious weed laws of the applicable State on land subject to the CRP Contract; and (8) not undertake any action which would tend to defeat the purposes of the CRP.

The conservation plan developed for the eligible cropland will specify the conservation practices which must be established on the eligible cropland in order for adequate erosion control to be achieved and will include a time schedule for establishment of the necessary conservation practices.

In exchange for participation in the CRP, CCC shall: (1) Make an annual rental payment to the program participant; (2) share the cost of establishing the required conservation practices; and (3) provide needed technical assistance to the participant. The annual rental payment shall be determined by the submission of a bid by the owner or operator and is designed to compensate the participant for taking the land out of crop production and devoting it to a less intensive use. The maximum amount of annual rental payments which a person may receive for each year may not exceed $50,000. The annual rental payments received by a person shall be in addition to, and not affected by, the total amount of payments that a person may receive under other provisions of the Act or the Agricultural Act of 1949, as amended.

The cost-share assistance which shall be paid to a participant will not exceed 50 percent of the actual or average cost of establishing the required conservation practices as determined by the CCC. Cost-share payments shall be made available upon a determination that the conservation practice has been correctly established.

An owner or operator of eligible cropland desiring to place such cropland under a CRP Contract with CCC must submit an offer on Form CRP–1 to the local Agricultural Stabilization and Conservation Service (ASCS) office that serves the area in which the farm or ranch is located during the announced sign-up period.

The offer shall be irrevocable for a period of 30 days subsequent to the close of the sign-up period. Once the offer has been received by CCC, it is reviewed and evaluated. The revocation of offers during the 30-day review and evaluation period would require a re-evaluation of bids received and would result in additional administrative expenditures by CCC, as well as increased annual rental payments. It is impossible to compute in advance the actual damages CCC may suffer. Therefore, the applicant shall be assessed liquidated damages if the applicant withdraws the offer during such 30-day period.

CCC will notify persons whose offers are accepted as soon as is practicable after the close of the signup period. CCC will consult with persons whose offer must be modified before CCC will enter into a CRP Contract. CCC will enter into a CRP Contract with such persons if there is an agreement as to the revised terms and conditions of the contract.

It is intended in subsequent years that a conservation plan for the land to be placed into the CRP be completed prior to the submission of an offer. However, due to the need to implement the CRP as quickly as possible and due to staffing constraints, it is probable that conservation plans will not be completed prior to the submission of offers to place land in the CRP during the signup period for the 1986 crop year.

Section 704.19 of the interim rule provides that the CRP Contract may be modified by mutual agreement between CCC and the participant. The interim rule allows CRP Contracts to be modified to: (1) Decrease the acreage under the CRP Contract where the participant desires to devote the land to uses other than agricultural production; (2) permit the production of an agricultural commodity during a crop year to grant relief to a participant in cases of hardship or when the Secretary determines that such production is necessary to meet domestic and foreign needs; and (3) facilitate the practical administration of the CRP.

Contracts may also be modified to add, delete, or substitute conservation practices in the conservation plan if practices fail, through no fault of the participant, to achieve adequate erosion control or it is determined that another conservation practice will achieve adequate erosion control.

Section 704.20 of this interim rule provides that if the right and interest in or the right to occupancy of the land which is the subject of a CRP Contract is transferred to another party, and the new owner or operator does not become a party to the CRP Contract, the participant shall forfeit all rights to future payments with respect to the transferred land and may be forced to refund any payments received in accordance with the CRP Contract.

Section 704.21 of this interim rule sets forth the penalities for violations of the terms and conditions of the CRP Contract. Upon a violation of the terms and conditions of a CRP Contract, CCC may: (1) Terminate the contract and the participant must forfeit all rights to future payment under the CRP Contract and must either refund all payments received under the CRP Contract together with interest as determined by CCC, or pay liquidated damages if no payments have been received, or (2) require a refund of payments received and make such payment adjustments as are determined to be appropriate.

Section 704.24 of this interim rule provides that representatives of the Department shall have the right of access to land which is the subject of an offer to enter into a CRP Contract or land under a CRP contract and shall have the right to examine any other cropland under the participant or applicant's control to ascertain erosion and cropland classification determinations and program compliance.

Section 704.26 of the interim rule sets forth the administrative appeal procedures which are available to program participants for review of any decision rendered by the Department. All requests for reconsideration or appeal of an administrative determination rendered by the county committee or other ASCS officials shall be conducted in accordance with the administrative appeal regulations found at 7 CFR Part 780. Determinations of land classification or erosion rates may be reviewed in accordance with procedures established by the SCS.

Other Program Provisions

The following regulations are incorporated by reference as a part of the CRP:

(a) 7 CFR Part 713, Feed Grain, Rice, Upland and Extra Long Staple Cotton, and Wheat, specifically §§ 713.109 and 713.150 concerning the fair and equitable division of payments among participants of the CRP Contract and the rights of tenants and sharecroppers;

(b) 7 CFR Part 796, Denial of Program Eligibility for Controlled Substance Violation, concerns the withholding of payments where the participant harvested or allowed harvesting of drug producing plants or is convicted of planting, growing, or harvesting of any controlled substance during any crop year; and

(c) 7 CFR Part 707, Payments Due Persons Who Have Died, Disappeared, or Have Been Determined Incompetent, concerning the payment procedures to be followed in case of death, or competency, or disappearance of any participant.

Section 1231(b)(1) of the Act provides that the Secretary shall enter into CRP Contracts covering not less than 5 million acres during the 1986 crop year. Since owners and operators are already making crop planting decisions for the 1986 crop year, it has been determined that this interim rule shall become effective on March 3, 1986, in order to achieve the goal of placing 5 million acres of cropland in the reserve during the 1986 crop year. However, comments from interested persons are requested. Specifically requested are comments and recommendations on how the CRP could be best used to meet environmental concerns while continuing to satisfy all basic program requirements. In addition to the erosion control benefits of the CRP, it should provide significant contributions to reducing off-farm environmental impacts particularly related to water quality problems. Comments must be received by (60 days after the date of publication in the **Federal Register**) in order to be assured of consideration. After the comments have been received and reviewed, a final rule will be published setting forth any changes to these regulations which are determined to be necessary.

Accordingly, the provisions of this interim rule amend Chapter VII of the Code of Federal Regulations to implement the CRP as authorized by Title XII of the Food Security Act of 1985.

Lists of Subjects in 7 CFR Part 704

Administrative practices and procedures, Conservation plan, Contracts, Technical assistance, Natural resources, Wildlife.

Interim Rule

Accordingly, Chapter VII of the Code of Federal Regulations is amended by adding the following new Part 704—Conservation Reserve Program:

PART 704—CONSERVATION RESERVE PROGRAM

Sec.
704.1 General description of the program.
704.2 Definitions.
704.3 Administration.
704.4 Applicability.
704.5 Maximum county acreage.
704.6 Eligible person.
704.7 Eligible cropland.
704.8 Conservation plan.
704.9 Eligible conservation practices.
704.10 CRP Contract.
704.11 Obligations of the participant.
704.12 Obligations of the Commodity Credit Corporation.
704.13 Availability of cost-share payments.
704.14 Levels and rates for cost-share payments.
704.15 Annual rental payments.
704.16 Method of payment.

Sec.
704.17 Assignments.
704.18 Payments not subject to claim.
704.19 Contract modifications.
704.20 Transfer of land.
704.21 Violations.
704.22 CRP Contract not in conformity with regulations.
704.23 Performance based upon advice or action of the Department.
704.24 Access to land.
704.25 Division of program payments and provisions relating to tenants and sharecroppers.
704.26 Appeals.
704.27 Depriving others of payments.
704.28 Filing of false claims.
704.29 Miscellaneous.

Authority: Secs. 1201, 1231–1244, Public Law 99-198, 99 Stat. 1354.

§ 704.1 General description of the program.

(a) The regulations in this part set forth the terms and conditions for the Conservation Reserve Program (CRP) authorized by Title XII of the Food Security Act of 1985 (Pub. L. 99–198). The Secretary of Agriculture is authorized to enter into contracts and make payments to eligible owners and operators of eligible cropland to assist them in conserving and improving the soil and water resources of their farms and ranches by converting such land to permanent vegetative cover in accordance with an approved conservation plan. A conservation plan for specified highly erodible croplands shall be developed in cooperation with the Conservation District (CD) in which the lands are located.

(b) The objectives of the CRP are to: (1) Reduce water and wind erosion, (2) protect our long-term capability to produce food and fiber, (3) reduce sedimentation, (4) improve water quality, (5) create better habitat for fish and wildlife through improved food and cover, (6) curb production of surplus commodities, and (7) provide needed income support for farmers.

§ 704.2 Definitions.

(a) The following definitions shall be applicable for the purposes of this part:

(1) "Agricultural commodity" means any crop planted and produced by annual tilling of the soil or on an annual basis by one-trip planters or sugar cane planted or produced in a State;

(2) "Annual rental payment" means the annual payment specified in the CRP Contract which is made to a participant to compensate such participant for placing eligible cropland in the CRP;

(3) "Applicant" means a person who submits an offer to CCC to enter into a CRP Contract;

(4) "Bid" means the per acre rental payment requested by the owner or operator in such owner or operator's offer to participate in the CRP.

(5) "Conservation District (CD)" means a subdivision of a State organized pursuant to the applicable State Soil Conservation District Law or, in instances where a conservation district does not exist, this term shall mean the State Conservationist of the Soil Conservation Service;

(6) "Conservation plan" means the plan describing the conservation practices which must be established on eligible cropland placed in the CRP in order for erosion on such land to be adequately controlled. The conservation plan shall include the approved vegetative cover and other required conservation practices necessary for the establishment and maintenance of vegetative cover;

(7) "Commodity Credit Corporation (CCC)" means a wholly-owned government corporation within the U.S. Department of Agriculture;

(8) "CRP Contract" means the approved agreement, including the conservation plan, entered into in writing between CCC and the participant which sets forth the terms and conditions for participation in the CRP established under this part;

(9) "Cost-share payment" means the payment made by CCC to assist program participants in establishing the conservation practices eligible for cost-share assistance and required in the CRP Contract;

(10) "Department" means the United States Department of Agriculture and includes CCC;

(11) "Eligible cropland" means highly erodible land which meets the requirements of § 704.7;

(12) "Field" means a part of a farm which separated from the balance of the farm by permanent boundaries such as fences, roads, permanent waterways, woodlands, or cropline in cases where the predominantly eligible cropland and farming practices make it a manageable unit and probable that such cropline is not subject to change during the duration of the contract, or other similar features;

(13) "Field windbreak" means a vegetative barrier with a linear configuration composed of trees or shrubs planted for the purpose of wind erosion control;

(14) "Local ASCS office" means the county office of the Agricultural Stabilization and Conservation Service serving the county or a combination of counties in the area in which the landowner's farm or ranch is located;

(15) "Manageable unit" means a part of a field that can be farmed in a normal manner;

(16) "Operator" means a person who is in general control of the farming operations on the farm;

(17) "Owner" means a person who has legal ownership of farmland including a person who is buying farmland under a purchase agreement;

(18) "Participant" means an owner or operator who has entered into a CRP Contract;

(19) "Person" means an individual, partnership, association, corporation, estate or trust, or other business enterprise or other legal entity and, whenever applicable, a State, a political subdivision of a State, or any agency thereof;

(20) "Secretary" means the Secretary of the U. S. Department of Agriculture;

(21) "Soil Loss Tolerance (T)" means the maximum average annual soil loss specified for a soil in the Soil Conservation Service (SCS) technical guide available in local SCS offices and is basically the level of soil loss that may occur and still permit a high level of crop productivity to be obtained economically and indefinitely;

(22) "Technical assistance" means the assistance provided to owners or operators by a representative of the Department in classifying cropland, developing conservation plans, inspecting eligibility of a designated area, and implementing and certifying conservation practices;

(23) "Tree planting plan" means the plan that sets forth the silvicultural treatment necessary for planting trees, in order to obtain adequate erosion control on eligible cropland. The plan shall include site location, number of acres, requirements for site preparation, tree species and specifications, planting dates, pre- and post-care of nursery stock, and maintenance to ensure survival; and

(24) "Vegetative cover" means perennial or permanent grasses, legumes, forbs, and shrubs with a life span of 5 or more years, or trees.

(b) In the regulations in this part and in all instructions, forms, and documents in connection therewith, all other words and phrases specifically relating to ASCS operations shall, unless the context of subject matter otherwise requires, have the meanings assigned to them in the regulations governing reconstitutions of farms, allotments and bases, 7 CFR Part 719.

§ 704.3 Administration.

(a) The program will be administered on behalf of CCC under the general supervision of the Administrator of the Agricultural Stabilization and Conservation Service (ASCS) and shall be carried out in the field by State ASC Committees (STC) and County ASC Committees (COC).

(b)(1) The land capability class, rate of erosion, suitability of land for permanent vegetative cover, and the adequacy of the planned conservation practice to achieve the necessary erosion control shall be determined by the Soil Conservation Service (SCS).

(2) The SCS will provide such other technical assistance in the implementation of the CRP as is determined to be necessary.

(c) The Forest Service (FS) or the State Forestry Agency shall provide such assistance as is determined to be necessary for developing and implementing conservation plans which include tree planting as the appropriate conservation practice.

(d) The Extension Service (ES) shall coordinate the related information and education program concerning implementation of the CRP.

(e) Except as provided in paragraph (b) of this section, the Deputy Administrator, State and County Operations, ASCS (Deputy Administrator), may determine any question arising under the CRP, may reverse or modify any determination made by an STC or COC in connection with the CRP, and may administer any or all phases of the CRP delegated to the COC, STC, or any employee(s) where the COC, STC, or any employee fails to perform a function required in these regulations. In exercising this authority the Deputy Administrator may authorize a person or persons to carry out the CRP or other function(s) for such period of time as is deemed necessary by the Deputy Administrator.

§ 704.4 Applicability.

(a) The CRP is applicable in the 50 States, the Commonwealth of Puerto Rico, and the Virgin Islands of the United States.

(b) The CRP is applicable to private croplands, Indian tribal croplands, and State or local government croplands that otherwise meet the requirements of eligibility set forth in § 704.7.

§ 704.5 Maximum county acreage.

The maximum acreage which may be placed in the CRP may not exceed 25 percent of the total cropland in the county unless CCC determines that such action would not adversely affect the local economy of the county.

§ 704.6 Eligible person.

In order to be eligible to enter into a CRP Contract in accordance with this part, a person must be an owner or operator of eligible cropland and—

(a) If an operator of eligible cropland, must have operated such cropland for the period beginning not less than 3 years prior to the close of the applicable signup period or January 1, 1985, whichever is later, and must provide satisfactory evidence that such person will be the operator of such cropland for the CRP Contract period; or

(b) If an owner of eligible cropland, must have owned such cropland for not less than 3 years prior to the close of the applicable signup period, unless:

(1) The new owner acquired such cropland by will or succession as a result of the death of the previous owner;

(2) The new owner acquired such cropland prior to January 1, 1985; or

(3) It is determined that the new owner of such cropland did not acquire such cropland for the purpose of placing it in the CRP.

§ 704.7 Eligible cropland.

(a) In order to be eligible to be placed in the CRP, land must—

(1) Have been annually planted or considered planted to produce an agricultural commodity other than orchards, vineyards, or ornamental plantings in 2 of the 5 crop years, 1981 through 1985;

(2) Be physically possible to be planted to produce an agricultural commodity other than orchards, vineyards, or ornamental plantings; and

(3) Be either:

(i) In a field which is classified by SCS as being predominantly Land Capability Classes II, III, IV, and V with an average annual erosion rate 2T or greater, as announced by the Secretary; or

(ii) In a field which is classified by SCS as being predominantly Land Capability Classes VI, VII, or VIII; and

(4) If a redefined field, be a manageable unit which meets the minimum acreage requirements as established by CCC for the county.

(b) Land subject to a contract under the Great Plains Conservation Program, Agricultural Conservation Program, Forestry Incentives Program, Rural Clean Water Program, or similar program contract or land currently under an annual program with maintenance or lifespan requirements may be eligible to be placed in the CRP if the eligible cropland meets the requirements of paragraph (a) of this section and the conservation practices required unde the CRP are consistent with the requirements of the existing contracts.

(c) A field shall be considered to be predominantly highly erodible if 66⅔ percent of the land in such field meets the requirements of paragraph (a)(3).

§ 704.8 Conservation plan.

(a) The applicant, in consultation with the SCS, shall develop the conservation plan.

(b) The SCS ensure that the conservation practices included in the conservation plan and agreed to by the applicant will achieve the reduction in erosion necessary to maintain the production capability of the soil.

(c) If applicable, a tree planting plan shall be developed by the State Forester and shall be included with the conservation plan.

(d) The CD shall approve all conservation plans.

§ 704.9 Eligible conservation practices.

(a) Eligible conservation practices are those practices specified in the conservation plan that meet all quantity and quality standards needed to establish permanent vegetative cover, including introduced or native species of grasses and legumes, forest trees, permanent wildlife habitat, field windbreaks, and shallow water areas for wildlife that will provide adequate erosion control for the contract period.

(b) Other conservation practices may be determined to be eligible if such practices are required in the conservation plan to assure establishment of permanent vegetative cover.

§ 704.10 CRP Contract.

(a) In order to enter into the CRP, the owner or operator must enter into a CRP Contract with CCC.

(b) The CRP Contract will be comprised of: (1) The terms and conditions for participation in the CRP, (2) the offer to the applicant, and (3) the conservation plan.

(c) In order to enter into a CRP Contract, the applicant must submit an offer to participate on a Form CRP-1 at the local county ASCS office during the announced signup period for the applicable crop year.

(1) The offer shall be irrevocable for a period of 30 days subsequent to the close of the applicable signup period.

(2) The applicant shall be assessed liquidated damages in an amount provided in the CRP Contract if the applicant revokes an offer prior to 30 days after the close of the applicable signup period. Once an offer has been received by CCC, it shall be reviewed and evaluated. The revocation of offers during this 30-day review and evaluation period would require a re-evaluation of bids reviewed and would result in additional administrative expenditures by CCC as well as increased annual rental payments; however, it would be impossible to compute the actual damages suffered by CCC.

(3) CCC may waive payment of liquidated damages if CCC determines that the assessment of such damages in a particular case is not in the best interest of the CRP.

(d) The CRP Contract must be signed within the dates established by the COC by: (1) The applicant, and (2) the owners of the cropland to be placed in the CRP.

(e) The COC or its designee is authorized to approve CRP Contracts on behalf of CCC in accordance with instructions issued by the Deputy Administrator.

§ 704.11 Obligations of the participant.

(a) All participants in the CRP must:

(1) Carry out the terms and conditions of the CRP Contract for a period of 10 crop years from the date the CRP Contract is entered into by the participant and CCC;

(2) Implement the conservation plan:

(i) The participant shall implement the conservation plan in accordance with the schedule of completion dates included in such plan unless an extension of time is granted by the COC for the participant to implement the plan. Such an extension shall be granted only if the participant cannot fully implement the plan for reasons beyond the participant's control; and

(ii) The participant shall establish temporary vegetative cover when required by the conservation plan or the COC to control soil erosion until permanent vegetative cover can be adequately established;

(3) Reduce the aggregate total of crop acreage bases, allotments, and quotas for the contract period for each farm which contains land which is the subject of the CRP Contract by an amount based upon the ratio between the total cropland acreage on such farm and the total acreage on such farm subject to the CRP Contract;

(4) Not undertake any action on other land under the participant's control during the contract period that tends to defeat the purpose of the CRP, including the production of any agricultural commodity on land subject to subtitles B and C of Title XII the Food Security Act of 1985, Pub. L. 99-198;

(5) Not knowingly or willingly allow grazing, harvesting, or other commerciel use of any crop from the cropland

subject to the CRP Contract except for those periods of time in accordance with instructions issued by the Secretary in response to drought or similar emergency;

(6) Maintain the vegetative cover and the required conservation practices on the land subject to the CRP Contract and take other actions that may be required by CCC to achieve the reduction in soil erosion necessary to maintain the production capability of the soil throughout the CRP Contract period; and

(7) Comply with the noxious weed laws of the applicable State on land subject to the CRP Contract.

(b) The participant and each other person signing the CRP Contract shall be jointly and severally responsible for compliance with the CRP Contract and the provisions of this part and for any refunds or payment adjustments which may be required for violation of any of the terms and conditions of the CRP Contract and the provisions of this part.

§ 704.12 Obligations of the Commodity Credit Corporation.

CCC shall, subject to the availability of funds:

(a) Share the cost with participants of establishing eligible conservation practices specified in the conservation plan at the levels and rates of cost-sharing determined in accordance with the provisions of § 704.14;

(b) Pay to the participant for a period of years not in excess of the contract period an annual rental payment in such amounts as may be specified in the CRP Contract; and

(c) Provide such technical assistance as may be necessary to assist the participant in carrying out the CRP Contract.

§ 704.13 Availability of cost-share payments.

(a) Cost-share payments shall be made available upon a determination by CCC that the eligible conservation practice, or an identifiable unit thereof, has been established in compliance with the appropriate standards and specifications.

(b) Cost-share payments may be made under the CRP only for the establishment or installation of an eligible conservation practice.

(c) Except as provided in paragraph (d) of this section, cost-share payments shall not be made to the same owner or operator on the same acreage for any eligible conservation practices which have been previously established, and for which such owner or operator has received cost-share assistance from the Department.

(d) Cost-share payments may be authorized for the replacement or restoration of conservation practices for which cost-share assistance has been previously allowed under the CRP only if:

(1) Replacement or restoration of the practice is needed to achieve adequate erosion control; and

(2) The failure of the original practice was not due to the lack of proper maintenance by the participant.

(e) The cost-share payment made to a participant shall not exceed the participant's actual contribution to the cost of establishing the conservation practice.

§ 704.14 Levels and rates for cost-share payments.

(a) CCC will share not more than 50 percent of the actual or average cost of establishing the eligible conservation practices specified in the conservation plan.

(b) The average cost of performing a conservation practice shall be determined by the STC or COC, based upon the recommendation of the State and county Conservation Review Groups as identified in 7 CFR 701.2 (a) and (f), and may be the average cost in a State, a county, or a part of a county or counties.

§ 704.15 Annual rental payments.

(a) Annual rental payments shall be made in such amount and in accordance with such time schedule as may be agreed upon and specified in the CRP Contract.

(b) The annual rental payment shall be divided among the participants in the manner agreed upon in the CRP Contract.

(c) The maximum amount of rental payments which a person may receive under the CRP for any fiscal year shall not exceed $50,000. The regulations set forth at 7 CFR Part 795 shall be applicable in determining whether certain persons as individuals or other entities are to be considered as a separate person for payment limitation purposes.

§ 704.16 Method of payment.

Payments made by the Department under this part may be made in cash, in-kind, or in commodity certificates or in any combination of such methods of payments in accordance with 7 CFR Part 770.

§ 704.17 Assignments.

Any participant who may be entitled to any cash payment under this program may assign the right to receive such cash payment, in whole or in part, as provided in the regulations at 7 CFR Part 709, Assignment of Payment.

§ 704.18 Payments not subject to claims.

Subject to the regulations found at 7 CFR Part 13, any cost-share or annual payment or portion thereof due any person shall be allowed without regard to questions of title under State law, and without regard to any claim or lien in favor of any creditor, except agencies of the U.S. Government.

§ 704.19 Contract modifications.

(a) CCC, by mutual agreement with the participant, may modify the CRP Contract in order to:

(1) Decrease acreage placed in the CRP;

(2) Permit the production of an agricultural commodity during a crop year on all or part of the land subject to the CRP Contract; and

(3) Facilitate the practical administration of the CRP.

(b) The concurrence of the SCS and the CD are necessary when modifications to a CRP Contract involve a technical aspect of the participant's conservation plan.

(c) CCC may modify CRP Contracts to add, delete, or substitute conservation practices when:

(1) The installed conservation practice failed to adequately control erosion through no fault of the participant;

(2) The installed measure deteriorated because of conditions beyond the control of the participant; or

(3) Another conservation practice will achieve at least the same level of erosion control.

§ 704.20 Transfer of land.

(a)(1) If a new owner or operator purchases or obtains the right and interest in, or right to occupancy of, the land subject to CRP Contract, such new owner or operator, upon the approval of the COC, may become a participant to the existing contract with the same terms and conditions or may offer to enter into a new CRP Contract with CCC covering such transferred land.

(2) If the new owner or operator becomes a participant to the existing CRP Contract, the new owner or operator shall assume all obligations under the CRP Contract of the previous participant with respect to the transferred land.

(3) The following provisions shall be applicable if the new owner or operator becomes a participant to the existing CRP Contract or enters into a new CRP Contract with CCC:

(i) Cost-share payments shall be made to the participant who established the conservation practice as specified in the contract; and

(ii) Annual rental payments to be paid during the fiscal year when the land was transferred shall be divided: (A) Between the new participant and the previous participant based upon the period of time during the fiscal year during which such participants had control of the land or (B) as agreed upon the participants and approved by the COC.

(b) If a participant transfers all or part of the right and interest in, or right to occupancy of, the land subject to CRP Contract and the new owner or operator does not become a participant to the existing CRP Contract or a new CRP Contract in accordance with the provisions of this section, the CRP Contract shall be terminated on the affected portion of the land subject to the CRP Contract, and the participant:

(1) Must forfeit all rights to any future annual rental or cost-share payments with respect to the transferred acreage; and

(2) Must refund all or part of the payments plus interest thereon, as determined by CCC, that have been made on the transferred land; except a portion of the payments may be retained to the extent CCC determines, after consultation with the technical agency and the CD, that the established conservation practices have achieved desired conservation benefits for an acceptable period.

§ 704.21 Violations.

(a) (1) If the participants fails to carry out the terms and conditions of the CRP Contract, CCC may, after considering the recommendations of the CD and SCS, terminate the CRP Contract.

(2) If the CRP Contract is terminated by CCC in accordance with this subsection, the participant shall:

(i) Forfeit all rights to further payments under the CRP Contract and refund all payments received together with interest thereon as determined by CCC; or

(ii) Forfeit all rights to payments under the CRP Contract and pay liquidated damages to CCC in an amount specified in the CRP Contract if no payments have been received by the participant under the CRP Contract.

(3) The purpose of the CRP is to control erosion on highly erodible lands thereby protecting the Nation's soil and water resources for succeeding generations. Once a CRP Contract has been entered into between CCC and the owner or operator, CCC and other segments of the agricultural community will act based on the assumption that the CRP Contract will be fulfilled and the reduction in erosion and production will be obtained. CCC's action includes budgeting and planning for the CRP in subsequent crop years. A participant's failure to carry out the terms and conditions of the CRP Contract undermines the basis for these actions, damages the credibility of CCC's programs with other segments of the agricultural community, and requires additional expenditures in subsequent crop years in order for the required levels of acreage to be placed in the CRP and in order for an adequate reduction in erosion to be obtained. While the adverse effects on CCC of the participant's failure to comply with the CRP Contract is obvious, it would be impossible to compute the actual damage suffered by CCC. Therefore, participants shall be required to refund all payments received, plus interest, upon the termination of the CRP Contract in accordance with this subsection, or to pay liquidated damages in an amount specified in the CRP Contract if no payments under CRP have been received prior to termination.

(b) CCC may terminate a CRP Contract if the participant agrees to such termination and CCC determines that termination would be in the public interest.

(c) If the participant fails to carry out the terms and conditions of the CRP Contract but CCC determines that such failure does not warrant termination of the CRP Contract, CCC may require such participant to refund payments received under the CRP Contract or to accept such adjustments in the payment as are determined to be appropriate by CCC.

§ 704.22 CRP Contracts not in conformity with regulations.

If, after a CRP Contract is approved by the COC on behalf of CCC, it is discovered that such CRP Contract is not in conformity with the provisions of this part as the result of a misunderstanding of the program procedures by a signatory to the contract, a modification of the contract may be made by mutual agreement. If the parties to the CRP Contract cannot reach agreement with respect to such modification, the CRP Contract shall be terminated and all payments paid or payable under the contract shall be forfeited or refunded to CCC, except as may otherwise be allowed by CCC in accordance with the provisions of § 704.23.

§ 704.23 Performance based upon advice or action of Department.

The provisions of Part 790 of this chapter, as amended, relating to performance based upon the action or advice of a COC or STC shall be applicable to the CRP.

§ 704.24 Access to land.

Any representative of the Department, or designate thereof, shall have the right of access to land which is the subject of an application for a CRP Contract, or land which is the subject of a CRP Contract and shall have the right to examine any other cropland under the applicant's or participant's control for the purpose of determining land classification and erosion rates and for the purpose of determining whether there is compliance with the terms and conditions of the CRP.

§ 704.25 Division of program payments and provisions relating to tenants and sharecroppers.

Payments received under a CRP Contract shall be divided fairly and equitably among all participants to the contract and producers who would have shared in the risk of producing crops on the land to be placed in the CRP shall receive equitable treatment in accordance with the regulations set forth in 7 CFR 713.109 and 713.150 which relate to division of payments and the rights of tenants and sharecroppers.

§ 704.26 Appeals.

(a) Except as provided in paragraph (b) of this section, the participant may obtain a review in accordance with the administrative appeal regulations (7 CFR Part 780) of any administrative determination rendered under this program.

(b) Determinations concerning land classification or erosion rates may be reviewed in accordance with procedures established by SCS.

§ 704.27 Depriving others of payments.

If it is determined by CCC that any participant has employed any scheme or device to deprive any other person of cost-share assistance or land rental payments, any part of any program payment otherwise due or paid such participant during the CRP Contract period may be withheld or required to be refunded with interest thereon as determined by CCC. A scheme or device includes, but is not limited to, coercion, fraud, or misrepresentation.

§ 704.28 Filing of false claims.

If it is determined by CCC that any participant has knowingly supplied false information or has knowingly filed a false claim, such participant shall be ineligible for payments under the CRP with respect to the crop year in which the false information or claim was filed.

False information or false claims include a claim for payment for a conservation practice which is not carried out or a claim for payment for conservation practices which do not meet the specifications of the applicable conservation plan. Any amounts paid under these circumstances shall be refunded, together with interest as determined by CCC, and any amounts otherwise due such participant shall be withheld. The withholding or refunding of such payments will be in addition to any other penalty or liability otherwise imposed by law.

§ 704.29 Miscellaneous.

(a) In accordance with the regulations set forth at 7 CFR Part 796:

(1) No payment shall be made to any participant who harvests or knowingly permits to be harvested for illegal use, marihuana or other such prohibited drug-producing plants on any part of the lands owned or controlled by such participant; and

(2) Any participant who is convicted under Federal or State law of planting, cultivating, growing, producing, harvesting, or storing a controlled substance in any crop year shall be ineligible for any payments under this part during that crop year and the four (4) succeeding crop years.

(b) In case of death, incompetency, or disappearance of any participant, any payment due shall be paid to the participant's successor in accordance with the provisions of 7 CFR Part 707.

Signed at Washington, DC, on March 6, 1986.

Frank W. Naylor, Jr.,

Acting Secretary of Agriculture.

[FR Doc 86-5658 Filed 3-12-86; 8:45 am]

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United States
Department of
Agriculture

Soil
Conservation
Service

P.O. Box 2890
Washington, D.C.
20013

DECEMBER 23, 1985

FOR REMOTE MESSAGE TRANSMITTAL

NATIONAL BULLETIN NO. 300-6- 7

SUBJECT: LTP - CONSERVATION RESERVE PROGRAM (CRP)

Purpose. To initiate actions to implement the Conservation Reserve Program.

Expiration Date. This bulletin expires September 30, 1986.

Background. The President has signed the farm bill which includes a Conservation Reserve Program of not less than 40 nor more than 45 million acres to be implemented in a 5-year period. An all out effort will be needed to implement the program early in 1986. We expect the Secretary to announce a mid-February signup for the program. A joint agency training session is anticipated during the last week of January.

The Agricultural Stabilization and Conservation Service (ASCS), Extension Service (ES), and the Forest Service (FS) are sending their offices implemention notices that include specific guidance for the activities on which they have major responsibility. You are encouraged to share these notices to maximize effective communication.

You should also involve the State Conservation Agencies, State Fish and Wildlife Agencies, and State Forestry Agencies, and others as appropriate. Good communication will be imperative for implementing a successful program.

Two major responsibilities for SCS will be to determine land eligibility and provide technical assistance to the applicants to develop and implement the conservation plan for the land they wish to place in the CRP.

The following criteria will be used to determine eligible acres.

1. Cropland is land cropped at least 2 years during 1981-1985. ASCS will make this determination.

2. Eligible land is cropland that is in Land Capability Class VI, VII, or VIII, and all cropland in Land Capability Class II through V that is eroding in excess of 2T.

SCS will determine soil suitability for trees, however, the State Forestry Agency will develop tree planting plans unless the State Conservationist and State Forester agree to other arrangements. The tree planting plans will become a part of the conservation plan that the Conservation District approves.

(MORE)

DIST: ALL

We encourage you to initiate the following actions immediately.

1. Meet with the State Conservation Review Group to make plans to implement the CRP. Some actions we think should be taken now are:

   (a) Establish standards and specifications for CRP practices. These should include five categories of eligible cover--trees, native grasses and legumes, introduced grasses and legumes, wildlife habitat, and windbreaks. The appropriate SCS practices for these categories are: Tree Planting, Range Seeding, Pasture and Hayland Planting, Wildlife Habitat Development and Field Windbreaks. Other erosion control practices will be used only if necessary to stablize the area to allow establishment of grass or trees.

   (b) Develop the average cost to establish cover for each category. Cost share will be based on 50 percent of the average cost. There may be more than one average cost per cover category depending upon the components being used. For example, the average cost to establish wildlife habitat may vary if the cover is planned for pheasants versus deer or to establish deciduous versus evergreen trees..

Use existing guides, standards and specifications, cost list, procedures, forms, and established interagency relationships to the maximum, modifying only as needed.

2. Make estimates of workload.

   (a) Identify the extent of eligible land and its distribution throughout the state.

   (b) Identify where additional resources are needed and ways to meet the needs, such as temporary employment, overtime, details, etc.

3. Assist in the development of an information program. The Extension Service will coordinate the information program, but all agencies should be actively involved.

Additional preliminary information that will help answer questions about the CRP are:

   (a) Contracts will be for 10 years.

   (b) Commercial harvest of the cover during the contract period is not authorized. Activities such as fee hunting that does not involve harvest of the cover will be permitted.

   (c) The total CR rental payment limit to an owner or operator may not exceed $50,000 per year. This would be in addition to other payments, e.g., difficiency payments made under the farm bill.

Additional information will be forwarded to you as it becomes available. Please direct questions regarding this bulletin to the Land Treatment Program Division (FTS 382-1870).

Wilson Scaling

WILSON SCALING
Chief

United States
Department of
Agriculture

Soil
Conservation
Service

P.O. Box 2890
Washington, D.C.
20013

January 27, 1986

NATIONAL MANUAL FOR ASSISTING ASCS COST-SHARING PROGRAMS (NMCSP)
300-V-ISSUE 4

Purpose. This transmits the Conservation Reserve Program (CRP) part of the National Manual for Assisting ASCS Cost-Sharing Programs.

Effective Date. This part is effective when received.

The Agricultural Stabilization and Conservation Service at the national level has reviewed and concurred in the content of the manual.

Filing Instructions. File Part 539, Conservation Reserve Program, behind Part 537, Rural Clean Water Program.

Galen S Bridge Acting for

WILSON SCALING
Chief

Enclosure

DIST: NMCSP

The Soil Conservation Service
is an agency of the
Department of Agriculture

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PART 539 - CONSERVATION RESERVE PROGRAM

SUBPART A - GENERAL PROVISIONS

§539.0 General.

The Conservation Reserve Program (CRP) is administered by the Agricultural Stabilization and Conservation Service (ASCS) through the local Agricultural Stabilization and Conservation (ASC) committees with technical assistance by the Soil Conservation Service (SCS) and other cooperating agencies.

§539.1 Conservation Reserve Program objectives.

Program objectives are to—

(a) Assist land users in voluntarily converting highly erodible cropland from the production of annual crops to less intensive uses such as permanent grass, legumes, forbs, wildlife cover, or trees;

(b) Facilitate sound resource management systems through the conversion of highly erodible cropland to perennial vegetation for future use as rangeland, pastureland, hayland, wildlife land, or woodland;

(c) Improve fish and wildlife habitat;

(d) Improve water quality;

(e) Increase the Nation's woodland resources; and

(f) Reduce the supply of surplus commodities.

§539.2 Authorities.

Statutory authorities for CRP are in the Food Security Act of 1985, PL 99-198. Authorizing legislation for the CRP is in Sections 1231-1245 of the act. Departmental Regulation No. 704 and USDA Memorandum of Understanding provide the organizational arrangements and agency responsibilities for operation. See exhibits 539.50 and 539.51.

§539.3 Agricultural Stabilization and Conservation Service responsibilities.

ASCS has responsibilities to promulgate program regulations, policies, and procedures; enter into and administer 10-year contracts with owners and operators of highly erodible cropland; make cost-share and annual rental payments to participants; and use the services of the Commodity Credit Corporation as authorized to implement the CRP.

§539.4 Soil Conservation Service responsibilities.

(a) National Headquarters.

(1) The Deputy Chief, Programs, has the overall national leadership for SCS coordination of program development and implementation with ASCS and other agencies for the CRP.

(2) The Director, Land Treatment Program Division, provides direct program leadership to the national technical centers (NTC's) and states. The Director represents SCS on the National Conservation Review Group (NCRG), maintains liaison and working relations with program leaders in ASCS, provides policy and procedural guidance on CRP operations to SCS state offices, and coordinates training and state and NTC activities related to CRP.

(b) National technical centers. Directors of NTC's provide technical support to ensure uniform implementation of the CRP including consistency and adequacy of standards and specifications, proper procedures for developing cost lists, technical adequacy and consistency in use of the Universal Soil Loss Equation (USLE) and Wind Erosion Equation (WEQ), technical adequacy of conservation planning, and adequacy of conservation treatment implementation by SCS.

(c) State offices. State conservationists provide leadership for SCS activities associated with CRP in states. State conservationists represent SCS on the state conservation review group (SCRG), develop agreements with other Federal and State agencies for the most efficient use of personnel and other resources to meet the CRP workload demand, designate staff persons to carry out SCS responsibility at state and field offices, determine within-state distribution of part 539 of the National Manual for Assisting ASCS Cost-Share Programs, prepare state supplements, if needed, to part 539 of this manual, maintain adequacy of conservation treatment implementation by SCS, and provide training needed to effectively implement the program.

(d) Area offices. Area conservationists carry out SCS responsibilities for CRP as delegated by the state conservationist.

(e) Field offices. District conservationists represent SCS on the county conservation review group (CCRG), represent SCS at county ASC committee meetings, provide technical assistance to CRP applicants and participants, carry out functions described in subparts B, C, and D of this part, and maintain required records and reports.

§539.5 Program requirements.

(a) SCS technical assistance must meet standards and specifications developed for the local field office technical guide or any special cover standards and specifications agreed to by the CCRG and approved by the appropriate SCS official.

(b) All treatments required to establish and maintain adequate cover for the life of the contract are to be included in the conservation plan for the CRP contract.

(c) The cost-share rate is 50 percent of the actual cost or a flat rate equal to 50 percent of the average cost as determined by the CCRG. Cost-share rates used for conservation program (CP) practices are those established by the county ASC committee for each cover category. See 539.21(b) for cover categories. There may be more than one cost-share amount per cover category.

(d) SCS employees are prohibited from servicing CRP contracts on land owned or leased by them or members of their immediate families. In such situations, the area conservationist or the state conservationist designates the SCS employee who is to provide this assistance.

§539.6 Technical assistance coordination.

The district conservationist--

(a) Coordinates technical assistance with ASCS, the county ASC committee, State forestry agency, State wildlife agency, conservation district, and other appropriate agencies to achieve adequate erosion control;

(b) Promptly reports any findings that may affect an applicant's CRP eligibility, including changes in crop history and management, and any cases of apparent noncompliance with program requirements to the county ASC committee;

(c) Coordinates conservation plans containing tree planting with the State forestry agency representative;

(d) Determines eligibility of land and suitability of the land for trees.

(e) Helps the CRP participant to

(1) Develop a conservation plan containing CP practices and supporting conservation practices needed to ensure adequate cover establishment,

(2) Mark redefined field boundaries, and

(3) Apply SCS-assigned practices to ensure that they meet standards and specifications; and

(f) Certifies that the conservation plans meet minimum requirements for adequate erosion control prior to the conservation district's review, approval, and signature.

§539.7 Program evaluation.

SCS provides data to assist ASCS in evaluating the effectiveness of the CRP. The USDA Conservation Reporting and Evaluation System (CRES) is used for data collection, storage, retrieval, and analysis of CRP activities. Instructions for use of the CRES are in the USDA Conservation Reporting and Evaluation System Manual, DM 9500-1.

§539.8 Time and progress reporting.

Time and progress for the CRP are to be reported in accordance with the SCS National Reporting Codes Handbook.

SUBPART B - PROGRAM ELIGIBILITY

§539.10 Application.

Applicants who desire to participate and who are defined as eligible persons by ASCS must sign up at the ASCS county office during the designated signup periods. They must provide ASCS with information about the acreage to be designated, evidence that the land is cropland, cropping management information, a bid for the annual rental payments, and evidence of ownership or control of the land for the 10-year period of the contract.

§539.11 Determining eligibility.

(a) Applicants may offer established fields of any size, or redefined fields that meet the criteria in 539.11(g). To be eligible, a field must be cropland that is predominantly highly erodible. To be considered cropland a field must have been planted or considered planted to annual crops during 2 years of the period 1981-1985 and must be physically capable of being cropped. Highly erodible cropland is defined as--

(1) Land in land capability class (LCC) VI, VII, and VIII (if land is determined to be cropland and irrigation is currently being used, the LCC is based on the land being irrigated);

(2) Any land in LCC II, III, IV, or V having an estimated average annual soil loss greater than three times the soil loss tolerance (T); or

(3) Any combination of (1) and (2).

(b) The county ASC committee is responsible for accepting requests, determining if the acreage offered by the applicant is cropland, committing funds, and making payments.

(c) ASCS is to provide SCS with--

(1) Aerial photos that identify fields proposed for the CRP;

(2) Data on the crops grown or the land cover for each field during the period 1981-1985 using Form ASCS-578, Report of Acreage (See exhibit 539.53); and

(3) Data on any chemical carry over; on whether the land is contour farmed, contour strip cropped, or terraced; and on the tillage system used on the proposed field as certified by the applicant.

(d) The district conservationist determines, at sign-up time, whether the identified cropland is eligible and whether an offered or redefined field meets the predominance test for the CRP. See paragraphs (e) through (h) of this section for instructions.

(e) Soil loss determination.

(1) Soil loss is determined on the basis of the soil map unit or group of map units, the cropping system, and conservation and management practices used during 1981 through 1985 as certified by the applicant.

(2) The Universal Soil Loss Equation (USLE) and Wind Erosion Equation (WEQ) are first applied to the most erodible map unit. If that map unit is eligible, the erosion rate is then determined for less erodible map units or groups of map units to ensure that all soils currently eroding at rates greater than 3T are identified. Soil loss information is displayed on the Water and Wind Erosion Worksheets or approved state form. See exhibit 539.52.

(f) The predominance test for field eligibility is as follows:

(1) Are all the map units in the proposed field highly erodible? If yes, the predominance test is met. If no, proceed to (2).

(2) Can the highly erodible map units be grouped into manageable units apart from those units which are not highly erodible? If yes, redefine the field by dividing it into two or more fields in accordance with paragraph (g) then the field with the highly erodible map units meets the requirements of predominance test. If no, proceed to (3).

(3) Do highly erodible map units that cannot be separated into manageable units make up at least two-thirds of the field area? If yes, the field meets the predominance test. If no, field is not eligible.

(g) An established field, 9 acres or larger, may be redefined if each of the redefined fields meets these criteria:

(1) Each manageable unit is 3 acres or larger and the applicant is willing to manage each unit as an individual field or in combination with other fields.

(2) A field cannot be split into more than two redefined fields unless two manageable units of eligible or ineligible acres are separated by one manageable unit of ineligible or eligible acres.

(h) At sign-up time a field is determined to be eligible, questionable, or ineligible.

(1) A field or redefined field is eligible if it meets the definition of highly erodible cropland, erosion is greater than 3.5T, or LCC of VI, VII, or VIII and meets the predominance test.

(2) The eligibility of a field or redefined field is questionable at sign up if soil loss is estimated to be greater than 2.5T but equal to or less than 3.5T. A final field verification is made after ASCS notifies SCS of tentative acceptance of an applicant's bid.

(i) If, during the field verification, the sum of soil loss from sheet, rill, and wind erosion for the most erodible map unit in the field is equal to or less than 3T, the field is not eligible. The district conservationist is to discuss this finding with the applicant and notify the county ASC committee. The committee then formally notifies the ineligible applicant and selects the next applicant with an acceptable bid for SCS to verify ineligibility. If soil loss is greater than 3T, the bid will be accepted.

(ii) If, during the field verification, the district conservationist determines that the eligible acreage is less than the offered acreage, he or she ensures that the predominance test is met, adjusts the reported acreage on the certified Form ASCS-578 (see exhibit 539.53), discusses the technical finding with the applicant, and notifies ASCS of the change.

(iii) If, on the basis of the field verification, changes in crop history or management are needed on the ASCS-578, the applicant must update information with the county ASC committee and obtain their approval.

(3) A field or redefined field is ineligible at sign up if the soil loss is 2.5T or less based on the USLE and WEQ and if the cropland is not in LCC VI, VII, or VIII.

§539.12 Soil survey data.

Soil survey information is used where available. If a soil survey is not available, soil map unit information based on a field check by a soil scientist or other specialist designated by the state conservationist is used to determine land eligibility.

§539.13 Determining suitability for planned cover type.

The district conservationist determines the suitability of the cover type proposed by the CRP applicant. Cover suitability is based on the local technical guide. If tree cover is proposed and is determined suitable, the State forestry agency is responsible for developing a tree planting plan.

(a) Form SCS-SOI-5 is used to determine the suitability for tree cover.

(b) The suitability of the cover type is to be documented on the Water/Wind Erosion Worksheets or state approved form. See exhibit 539.52.

§539.14 Notification of bid acceptance.

The ASCS Deputy Administrator for State and County Operations (DASCO) is responsible for accepting bids of applicants. The county ASC committee notifies, in writing, the applicant, district conservationist, and State forestry agency, if appropriate. Of applicants whose lands are determined eligible and whose bids are accepted. If an applicant's land eligibility is questionable at sign-up time, the county ASC committee will withhold this notification pending a field verification of land eligibility by SCS.

§539.15 Establishment of cover practices.

(a) If cover materials are unavailable or if seeding period cannot be met, a temporary cover is to be established or current cover maintained to control erosion.

(b) CCRG determines an allowable establishment period before a cover type is reseeded or replanted.

SUBPART C - CONSERVATION PLAN DEVELOPMENT

§539.20 Conservation plan policy.

The district conservationist assists applicants in preparing conservation plans using Form SCS-CPA-11 or 11-A (formerly SCS-CO-11 or 11A). Other approved forms, including computer-generated forms, may be used for conservation plans. General planning requirements are given in the National Conservation Planning Manual (NCPM) and section III of the field office technical guide (FOTG).

§539.21 Planning requirements.

The district conservationist determines soil suitability of the desired cover type and helps the applicant to select the required practices for establishment of permanent cover and to determine the management necessary to maintain the permanent cover for the term of the CRP contract.

(a) CRP contracts are to be for 10 years, and plans are to include only fields designated by the applicant that meet the criteria for highly erodible cropland in 539.11 of subpart B.

(b) Five types of cover are eligible:

(i) Permanent introduced grasses and legumes;

(ii) Permanent native grasses;

(iii) Trees;

(iv) Wildlife cover; and

(v) Field windbreaks. (The remainder of the field will be planted to another eligible cover type.)

(c) Required treatment includes--

(1) The cover practices needed to establish adequate cover for erosion control within the specified time period;

(2) Other conservation practices needed for establishment of adequate cover; and

(3) The management practices needed to maintain cover for the term of the contract.

(d) Support or non-cost-shared management practices required to achieve or maintain adequate cover may include but are not limited to livestock exclusion, controlled burning, wildlife upland habitat management, firebreaks, noxious weed control, and cover and green manure crop.

§539.22 Plan development.

Upon notification of bid acceptance, the district conservationist works with the applicant to develop a conservation plan for the proposed CRP acreage. The State forestry agency develops a tree planting plan for applicants as appropriate.

(a) Use existing conservation plans if applicable in preparing the conservation plan for CRP contracts. Make at least three copies of the conservation plan (participant, ASCS, and SCS). Entries may be typed, legibly handwritten, or a combination of the two. All copies are to include the SCS-CPA-11, 11A, or other approved form (see exhibit 359.54); a conservation plan map and legend; and any applicable job sheets referred to in the conservation plan.

(b) Schedule both cost-shared and non-cost-shared practices in a logical and practical sequence. Plan and record all practices necessary for the successful establishment and maintenance of the cover as agreed to by the applicant. Once established, these practices are to be continued for the life of the contract. The applicant may have questions regarding landowner responsibility, payment limitations, appeals, and cost sharing. Advise the applicant to resolve such questions with the county ASC committee or its representative before signing the CRP contract.

(c) The conservation plan map is to show field number and acres as identified on Form ASCS-578, land use of "Conservation Reserve," cover type, and minimum conservation treatment for the contract area. See exhibit 539.53.

(d) Alternatives and unnumbered items are not to be used in CRP contracts. Appropriate planned practices in the conservation plan are those numbered contract items required to establish and maintain the required cover.

(e) Current standards and specifications must be available in section IV of the FOTG for all practices included in the conservation plan.

(f) Document pertinent information needed for servicing on the Conservation Assistance Notes (SCS-CPA-6) or other suitable form. Do not duplicate this information on the Status Review (SCS-CPA-13). Status reviews are completed only during the period of practice installation. (see 539.33).

§539.23 Conservation plans that include tree planting.

(a) The district conservationist coordinates planning of tree planting with the applicant and the forestry agency by referring the applicant to the State forestry agency for development of the tree planting plan (unless the planning is assigned to SCS by agreement). Refer to the tree planting plan developed by the forestry agency on the SCS-CPA-11 or 11A.

(b) The State forestry agency, or its representative, is responsible for developing the tree planting plan and providing the plan to the district conservationist for inclusion into the conservation plan.

§539.24 Conservation plans that include public land.

(a) For general planning guidance see subpart B 506.17(g) of the NCPM.

(b) Federal lands are ineligible for CRP contracts. The conservation plan for a CRP contract that includes State or local government land is to contain--

(1)The conservation decisions of the public land management agency and the applicant's decisions on the private land (where both public and private lands are included in the contract) and

(2) All required CRP cost-shared and non-cost-shared practices to be installed on public land.

(c) Representatives of the public land management agency need not sign the CRP contract if the agency does not share in the rental payment.

§539.25 Conservation plan approval.

After all plan elements are assembled, including the tree planting plan from the State forestry agency, the conservation plan for a CRP contract must be signed by the district conservationist to indicate technical adequacy and approved by the conservation district. If the land is not in a conservation district, the state conservationist has the approval authority.

SUBPART D - CONTRACT IMPLEMENTATION

§539.30 Assembling and filing CRP contracts.

(a) Use of standard file folders is encouraged. If used, the arrangement of the contents of each cover from top to bottom is as follows:

(1) First cover:

(i) Conservation plan map and legend;

(ii) Tree planting plan;

(iii) Job sheets referenced from conservation plan;

(iv) Soil map;

(v) Soil interpretive information; and

(vi) Water/Wind Erosion Worksheets (in SCS and ASCS copies only)

(2) Second cover:

(i) SCS-CPA-13, Status Review;

(ii) SCS-CPA-12, Revision of Conservation Plan/Schedule of Operations (latest on top);

(iii) SCS-CPA-11, (Conservation) Plan/Schedule of Operations;

(iv) SCS-CPA-6, Conservation Assistance Notes; and

(v) CRP-1, Conservation Reserve Program Contract.

(b) If a six-part folder is used, follow instructions contained in 535.28 of this manual for assembling LTA's.

(c) CRP contracts are filed according to state policy.

§539.31 Servicing referrals.

(a) ASCS issues appropriate AD-862's to initiate application of scheduled practices to be cost-shared in the CRP contract. Referrals for forestry practices are the responsibility of the State forestry agency unless assigned to SCS by agreement.

(b) Instructions for handling AD-862 referrals are in the USDA Conservation Reporting and Evaluation System Manual, DM-9500-1.

(c) The district conservationist revalidates practice need when the AD-862 is received.

§539.32 Revision of CRP contracts.

Final approval of and changes in a CRP contract are the responsibilities of the county ASC committee. The district conservationist consults with the participant and county ASC committee before preparing revisions.

(a) CRP contracts may be revised, using Form SCS-CPA-12 (see exhibit 539.55) to—

(1) Add, modify, or delete contract items;

(2) Substitute one practice for another to solve the conservation problem;

(3) Delete land from the contract; or

(4) Schedule reapplication of a practice.

(b) Revisions are not needed when—

(1) Changes occur in estimated costs or amount or extent of a practice (these changes are reflected on the AD-862) or

(2) Practice installation is delayed.

§539.33 Status reviews.

Until all SCS-assigned practices in the plan are applied, the district conservationist completes a status review by the end of each fiscal year. Status reviews are not made after all the SCS-assigned practices are applied; instead, the county ASC committee will conduct compliance checks.

(a) Use form SCS-CPA-13 for required status reviews. Document progress in applying the conservation plan, need for revision, condition of installed practices, and need for additional assistance. See exhibit 535.60. On the SCS-LTP-3, document the date on which the SCS-CPA-13 is completed.

(b) Complete a status review with the participant and a representative of the county ASC committee, if available.

(c) If a status review indicates that the participant has not completed or maintained practices as required under the contract, the district conservationist notifies the county ASC committee. The committee reviews the case and takes appropriate action.

§539.34 Disposition of completed or terminated CRP contracts.

Mark the termination or completion date on each CRP contract. Change the Record Card (SCS-FNM-197) or other approved form to show disposition and location of material. Follow the Records Guide (GM-120-408) for records maintenance and disposition.

§539.35 Appeals.

Applicants and participants may appeal anything pertaining to CRP that affects them adversely. All appeals must be filed by the applicant or participant with the county ASC committee. SCS participates, as requested, with the county and state ASC committees in determinations concerning SCS responsibilities.

Subpart E - Exhibits

539.50-1

Departmental Regulation No. 704 will be issued at a later date.

Part 539 - Conservation Reserve Program

539.51-1

The agencies' Memorandum of Understanding will be issued at a later date.

Water Erosion Worksheet Key

1. Enter applicant's name.

2. Enter ASCS Farm number.

3. Enter county name. This can be done prior to making copies of the worksheet in each county.

4. Preparer is to sign worksheet.

5. Enter date prepared.

6. Enter field number assigned by ASCS.

7. Enter rainfall factor. When it is the same for the entire field office area, it can be done prior to making copies of the worksheet.

8. Enter the soil map unit symbol or the symbols for a group of soil map units having similar characteristics in the offered field.

   Use a separate column for each map unit symbol or for each group of map units.

9. Enter Land Capability Class (LCC) for the soil map unit (or group of soil map units) in each column.

10. Enter the acres of the soil map unit (or group of soil map units) in each column.

11. Is the soil map unit suitable for trees? Circle Yes or No as determined from the SCS-SOI-5.

12 Enter the T and K values for the soil map unit or group of similar soil map units from the FOTG.

13. Enter slope length in feet only when a field evaluation is completed for those fields determined preliminarily ineligible.

14. Enter slope percent only when a field evaluation is completed for those fields determined preliminarily ineligible.

15. Enter the average LS value for the soil map unit, as determined by the district conservationist and state soil scientist. If a field evaluation is completed, enter the LS value determined from the values entered in blocks 13 and 14.

WATER EROSION WORKSHEET

Applicant: ___(1)____________________ ASCS - Farm No. __________(2)___

County: ___(3)____________________ Prepared by: ______________(4)___

Date: ___(5)_ [illegible] No. (6)__ Rainfall factor (R) = ___(7)___

Soil Map Unit Symbol(s)	(8)						
Land Capability Clas [illegible]	(9)						
Acres	(10)						
Suitable for trees - Yes - No	Y (11) N	Y N	Y N	Y N	Y N	Y N	
T/K Value	(12)						
Slope Length - Ft.	(13)						
Slope Percent	(14)						
LS Value	(15)						
P Factor	(16)						
C Value	(17)						
Soil loss T/Ac/Yr (Water)	(18)						

Water erosion summary:

Ave. annual soil loss tons/Ac./Yr. for field = $\frac{\text{(Tons/Ac.)(Ac. each soil type or group of soils)}}{\text{Total acres in field}} = \frac{(19)}{(20)} = \frac{(21)}{\_\_\_\_\_\_}$ Tons/Ac./Yr.

Predominance test for field - Use for Water erosion, if Wind and Water are both present use Wind Erosion Worksheet:

Percent of field highly erodible = $\frac{\text{Highly erodible cropland acres}}{\text{Total acres in field} * 100} = \frac{(22)}{(23)} \frac{(24)}{* 100} = \_\_\_\_\_\_$ Percent

LCC summary of acres - Class I (25)___, II ___, III ___, IV ___, V ___, VI ___, VII ___, VIII ___

Field is : (circle one) - Eligible - Preliminarily ineligible - ineligible (26)

16. Determine the "P" factor from conservation practice information certified by the applicant on the Form ASCS-578.

17. Determine the "C" factor from the cropping system and tillage practices certified by the applicant on the Form ASCS-578.

18. Enter the calculated soil loss for each soil map unit or group of soil map units.

19. Multiply the value determined in block 18 times the value in block 10 for each column, then add these values and enter the total.

20. Enter the total acres of all soil map units in the offered or redefined field.

21. Determine the average annual soil loss from water in tons per acre for the field by dividing block 19 by block 20. Enter this amount on block E 1 a B of the AD-862.

22. Enter the total acres of highly erodible cropland from block 10 as determined by block 18.

23. Enter the total acres in the offered or redefined field.

24. Complete the predominance test for the field if no wind erosion is present, otherwise leave blank, and combine the water erosion information with the wind erosion information on the Wind Erosion Worksheet. Divide block 22 by block 23 times 100 to determine the percent of the field that is highly erodible.

25. Use if only water erosion determined. Enter the total acres in each LCC for the offered or redefined field.

26. Indicate by circling if the field is eligible, preliminarily ineligible, or ineligible.

Wind Erosion Worksheet Key

1. Enter applicant's name.
2. Enter ASCS Farm number.
3. Enter county name. This can be done prior to making copies of the worksheet in each county.
4. Preparer is to sign the worksheet.
5. Enter date prepared.
6. Enter field number assigned by ASCS.
7. Enter the soil map unit symbol or the symbols for a group of soil map units having similar characteristics that effect wind in the offered field.
8. Enter Land Capability Class (LCC) for the soil map unit in each column.
9. Enter the acres of the soil map unit in each column.
10. Circle Yes or No, as determined from the SCS-SOI-5 for the soil map suitable for trees.
11. Enter T value from Field Office Technical Guide (FOTG).
12. Enter C value established for soil.
13. Enter I value for soil.
14. Enter K value from applicants information recorded on Form ASCS-578.
15. Enter L as determined.
16. Enter Small Grain Equivalent (SGE) as determined from applicants information recorded on Form ASC-578.
17. Enter the calculated soil loss from wind erosion.
18. Enter the calculated soil loss from water erosion from the Water Erosion Worksheet if applicable.
19. Enter total wind and water erosion rate if applicable.
20. Multiply the value determined in block 17 times the value in block 9 for each column then add these values and enter the total.

WIND EROSION WORKSHEET

Applicant: ___(1)___________________ ASCS - Farm No. ___________(2)___

County: ___(3)___________________ Prepared by: ____________(4)___

Date: ___(5)___________________ Field No. ________________(6)___

Soil Map Unit Symbol(s)	(7)						
Land Capability Class	(8)						
Acres	(9)						
Suitable for trees.- Yes - no	Y(10)N	Y N	Y N	Y N	Y N	Y N
T Value	(11)						
Climate = C	(12)						
Soils = I	(13)						
Ridge Roughness = K	(14)						
Unsheltered Distance= L - Ft.	(15)						
Small Grain Equivalent (SGE)	(16)						
Soil Loss (Wind) - T/Ac/Yr.	(17)						
(Water) - T/Ac/Yr.	(18)						
Total - T/Ac/Yr.	(19)						

Wind erosion summary:

Ave. annual soil loss tons/Ac./Yr. = for field

$$\frac{\text{(Tons/Ac.)(Ac. each soil type or group of soils)}}{\text{Total acres in field}} = \frac{(20)}{(21)} = \frac{(22)}{\text{----}} \text{ Tons/Ac./Yr.}$$

Predominance test for field - include Wind or Wind and Water erosion if both present:

Percent of field highly erodible =

$$\frac{\text{Highly erodible cropland acres}}{\text{Total acres in field} * 100} = \frac{(23)}{(24) * 100} = \frac{(25)}{\text{-------}} \text{ Percent}$$

LCC summary of acres Class I (26) ____, II ____, III ____, IV ____, V ____, VI ____, VII ____, VIII ____

Total ave. annual soil loss T/Ac./Yr for field = Water erosion summary + Wind erosion summary = _____ + _____ = (27) ______

Field is : (circle one) - Eligible - Preliminarily ineligible - ineligible (28)

21. Enter the total of all soil mapping units in the offered or redefined field.

22. Enter the dividend of block 20 divided by block 21. Also, enter this amount on block E 1 a B of the AD-862.

23. Enter the total acres of highly erodible cropland from block 9 as determined by block 17 or 19 as appropriate.

24. Enter by the total acres in the offered or redefined field.

25. Complete predominance test for the field. Divide block 23 by block 24 times 100 to determine the percent of the field that is highly erodible.

26. Enter the total acres of land in each LCC in the offered or redefined field.

27. Enter total average annual erosion rate from water and wind by adding number 12 on the Water Erosion Worksheet to number 9 on the Wind Erosion Worksheet.

28. Indicate by circling if the field is eligible, preliminarily ineligible, or ineligible.

Subpart E - Exhibits

539.52-7

Material to be included at a later date.

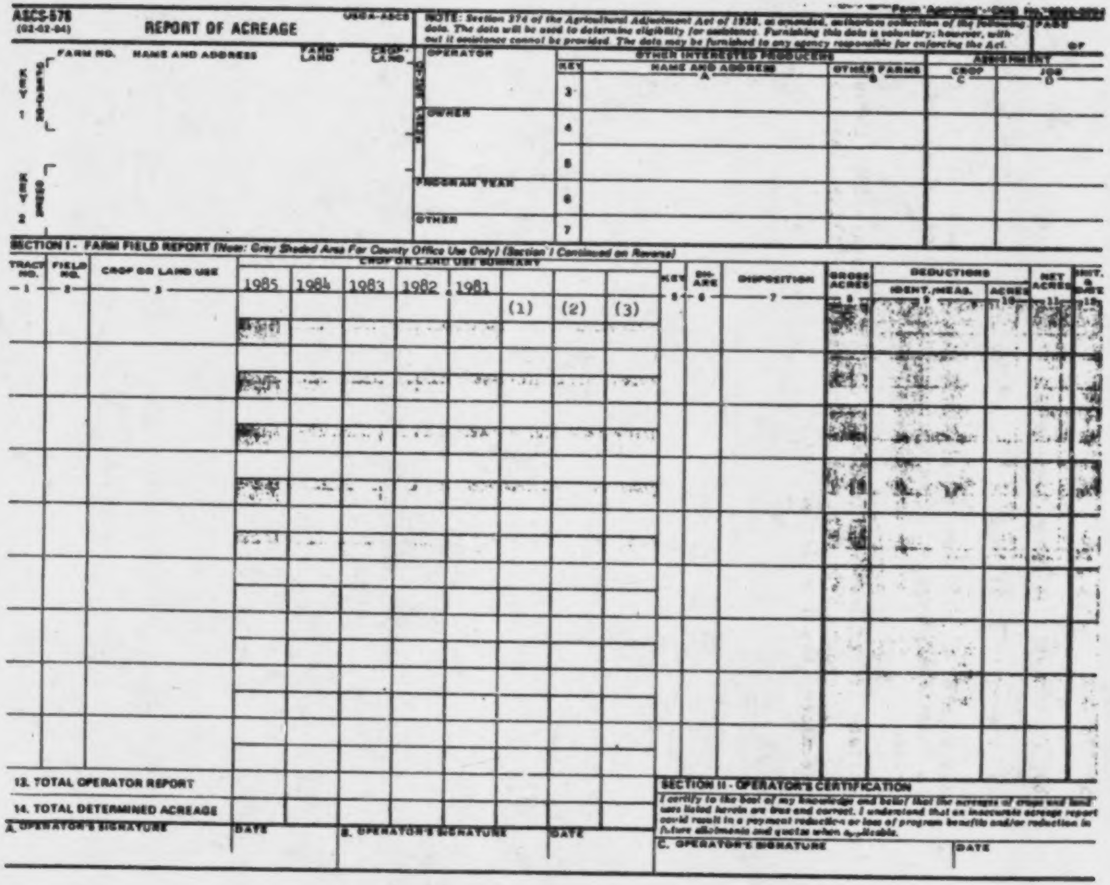
ASCS - 578, Report of Acreage Key

(1) List type of tillage being used:

- (a) No-till
- (b) Conservation Tillage (reduced tillage)
- (c) Conventional Tillage

(2) List type of conservation practices applied and maintained. Include the practices of contour farming, contour strip cropping, and terraces.

(3) Indicate if cropland was irrigated during the years 1981 through 1985. If cropland was irrigated, the land capability class is determined, based on irrigation.



ASCS-578
(02-02-84)

REPORT OF ACREAGE

USDA-ASCS

NOTE: Section 374 of the Agricultural Adjustment Act of 1938, as amended, authorizes collection of the following data. The data will be used to determine eligibility for assistance. Furnishing this data is voluntary; however, without it assistance cannot be provided. The data may be furnished to any agency responsible for enforcing the Act.

Form Approved - OMB No. [illegible]

PAGE OF

KEY 1 OPERATOR

KEY 2 OWNER

FARM NO. NAME AND ADDRESS FARMLAND CROPLAND

OPERATOR

OWNER

PROGRAM YEAR

OTHER

OTHER INTERESTED PRODUCERS			ASSIGNMENT	
KEY	NAME AND ADDRESS A	OTHER FARMS B	CROP C	JOB D
3				
4				
5				
6				
7				

SECTION I - FARM FIELD REPORT (Note: Gray Shaded Area For County Office Use Only) (Section I Continued on Reverse)

TRACT NO. 1	FIELD NO. 2	CROP OR LAND USE 3	CROP OR LAND USE SUMMARY								KEY 5	SH-ARE 6	DISPOSITION 7	GROSS ACRES 8	DEDUCTIONS		NET ACRES 11	UNIT & DATE 12
			1985	1984	1983	1982	1981								IDENT./MEAS. 9	ACRES 10		
								(1)	(2)	(3)								

13. TOTAL OPERATOR REPORT

14. TOTAL DETERMINED ACREAGE

A. OPERATOR'S SIGNATURE DATE

B. OPERATOR'S SIGNATURE DATE

SECTION II - OPERATOR'S CERTIFICATION

I certify to the best of my knowledge and belief that the acreages of crops and land uses listed herein are true and correct. I understand that an inaccurate acreage report could result in a payment reduction or loss of program benefits and/or reduction in future allotments and quotas when applicable.

C. OPERATOR'S SIGNATURE DATE

SCS - CPA-11 KEY

(1) Contact or agreement number will be assigned by ASCS.

(2) Total Acres: Total acres under contract.

(3) Item No.: Number each required practice, both cost-shared and noncost shared, listed in the Planned Treatment column. Start with "1" and number consecutively. Use separate item numbers for cost-shared practices that are scheduled for different years.

(4) Field: Enter applicable field number(s) from Form ASCS-578.

(5) Planned Treatment:

(a) Use the name of conservation reserve program practice for cost-shared practices, and the standard names listed in the National Handbook of Conservation Practices for noncost-shared practices. List specifications or refer to specifications or job sheet for each practice. List requirements for operation and maintenance of the practice for the life of the contract. Copies of job sheets, planting plans, or other specifications are to be included in all copies of the conservation plan.

(b) Identical cost-shared or noncost-shared conservation practices may be grouped into one agreement item with all applicable fields listed and the combined acreage if practice is scheduled to be applied in the same time period. List practices separately by individual fields unless identified items in two or more fields if they are scheduled to be applied at different times.

(c) Prepare standard SCS-CPA-11's as appropriate in quantity. Forms then may be completed at time of conservation plan development by entering name, contract or agreement number, total acres item number, field, estimated amounts, and time schedule.

(d) All CP1 through CP5 practices require livestock exclusion as a noncost-shared practice.

(6) Estimated Amount (units): Record total amount planned for each practice.

(7) Average Cost (dollars): Enter the average cost or the flat rate per unit. Show N/C for practices not cost-shared.

(8) Cost Share Rate: Enter the cost-share percentage for each practice. If the payment is based on a flat rate, enter "FR" only. If noncost-shared, enter N/C.

(9) Time Schedule and Estimated Cost Share by Years:

(a) Enter consecutive program years in column headings for each year a practice(s) is to be installed during the contract period, as needed. Remaining years of contract following installation of last practice may be entered as in SCS-CPA-11 exhibit.

(b) Record the estimated cost-shared dollars for practices under the years they are scheduled for application.

(c) Record amount in units for noncost-shared practices under the years to be applied. For recurring practices, enter the units in the year the practice is to be applied and according to the example for the life of the contract.

(10) Reference No.: This column is used to reference the revision number, if the conservation plan is revised using the SCS-CPA-12.

On the final sheet of the SCS-CPA-11.

(11) The amount of estimated cost sharing is to be added for each year of the contract and posted in the appropriate column on the last page of the plan/schedule of operations.

(12) The applicant(s) shall sign the conservation plan. Use additional lines as necessary.

(13) The district conservationist is to indicate technical adequacy by signing the conservation plan.

(14) The conservation plan must be signed and dated by a representative of the conservation district, where districts exist. Where a district does not exist, the conservation plan will be approved by the state conservationist.

U S DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE

SCS-CPA-11
3-81

PLAN/SCHEDULE OF OPERATIONS

OMB-Form Approval No. 0578-0013

NAME	COUNTY	STATE	CONTRACT OR AGREEMENT NUMBER	TOTAL ACRES*
	Participants County	Participant's State	(1)	(2)

ITEM NO.	FIELD	PLANNED TREATMENT (RECORD OF DECISIONS)	ESTIMATED AMOUNT (UNITS)	* AVERAGE COST $	*COST-SHARE RATE %	TIME SCHEDULE AND ESTIMATED COST SHARE BY YEAR (FOR NONCOST-SHARE ITEMS SHOW UNITS)					REFERENCE NO.
						19 86	19 87	19 88	19 ___	19 ___	
(3)	(4)	(5)	(6)	(7)	(8)	(9)					(10)
1	3+6	CP1 Establishment of Permanent									
		Introduced Grasses and Legumes - 512									
		(Include - Temporary cover or use of	86 Ac.	12.00	50%	$516.00					
		dead litter for erosion control									
		during establishment as appropriate									
		to county or field office conditions.									
		- Seeding method and specifications	86 Ac.	50.00	50%		$2150.00				
		- Specifics of operation and maintenance									
		or refer to job sheet with this									
		information)									
2	3+6	Livestock exclusion - 472	86 Ac.	N/C	N/C	86 ac.	86 ac.	86 ac.			
		(Include statement as appropriate									
		to individual field office or									
		refer to job sheet.)									

* FOR NONCOST-SHARE ITEMS SHOW N/C

NOTE ➡ This information is used in both the development and implementation of a Conservation, Reclamation or Water Quality plan as the basis for technical assistance and/or cost sharing. The authorities for such work are: 16 USC 590a-f (Soil Conservation); 16 USC 1301-1311 (Water Bank); 16 USC 590p(b) (Great Plains); 30 USC 1236 et seq (Rural Abandoned Mines); 33 USC 1288 et seq (Rural Clean Water). Furnishing information is voluntary and will be confidential; however, it is necessary in order to receive assistance.

U.S. DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE

SCS-CPA-11
3-81

PLAN/SCHEDULE OF OPERATIONS

OMB-Form Approval No. 0578-0013

NAME	COUNTY Participant's County	STATE Participant's State	CONTRACT OR AGREEMENT NUMBER	TOTAL ACRES

ITEM NO.	FIELD	PLANNED TREATMENT (RECORD OF DECISIONS)	ESTIMATED AMOUNT (UNITS)	* AVERAGE COST $	* COST-SHARE RATE %	TIME SCHEDULE AND ESTIMATED COST SHARE BY YEAR (FOR NONCOST-SHARE ITEMS SHOW UNITS)					REFERENCE NO.
						19 86	19 ___	19 ___	19 ___	19 ___	
3	3	CP6 Diversion - 362	900 Ft.	$1.10	50%	$495.00					
		(Include - Reference to job sheets									
		as appropriate - Operation and									
		maintenance required)									

* FOR NONCOST-SHARE ITEMS SHOW N/C

NOTE ➡ This information is used in both the development and implementation of a Conservation, Reclamation or Water Quality plan as the basis for technical assistance and/or cost sharing. The authorities for such work are: 16 USC 590a-f (Soil Conservation); 16 USC 1301-1311 (Water Bank); 16 USC 590p(b) (Great Plains); 30 USC 1236 et seq (Rural Abandoned Mines); 33 USC 1288 et seq (Rural Clean Water). Furnishing information is voluntary and will be confidential; however, it is necessary in order to receive assistance.

U.S. DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE

SCS-CPA-11
3-81

PLAN/SCHEDULE OF OPERATIONS

OMB-Form Approval No. 0578-0013

NAME	COUNTY Participant's County	STATE Participant's State	CONTRACT OR AGREEMENT NUMBER	TOTAL ACRES

ITEM NO.	FIELD	PLANNED TREATMENT (RECORD OF DECISIONS)	ESTIMATED AMOUNT (UNITS)	*AVERAGE COST $	*COST-SHARE RATE %	TIME SCHEDULE AND ESTIMATED COST SHARE BY YEAR (FOR NONCOST-SHARE ITEMS SHOW UNITS) 19 86	19 87	19 __	19 __	19 __	REFERENCE NO.
		TOTAL BY YEAR				$1011.00	$2150.00		(11)		
		Contract total: $3161.00									
		CONSERVATION PLAN IS ACCEPTED BY APPLICANT:		Applicant's Name	(12)				Dated		
		CERTIFICATE OF TECHNICAL ADEQUACY:		District Conservationist	(13)				Dated		
		APPROVED BY: Conservation District		Supervisor	(14)				Dated		

* FOR NONCOST-SHARE ITEMS SHOW N/C

NOTE ➡ This information is used in both the development and implementation of a Conservation, Reclamation or Water Quality plan as the basis for technical assistance and/or cost sharing. The authorities for such work are: 16 USC 590a-f (Soil Conservation); 16 USC 1301-1311 (Water Bank); 16 USC 590p(b) (Great Plains); 30 USC 1236 et seq (Rural Abandoned Mines); 33 USC 1288 et seq (Rural Clean Water). Furnishing information is voluntary and will be confidential; however, it is necessary in order to receive assistance.

SCS-CPA-12 KEY

(1) Number revisions consecutively.

(2) To add new items, start with the next consecutive contract item number from SCS-CPA-11, SCS-CPA-11A, computer generated form, or SCS-CPA-12.

To reapply a contract item, use the original contract item number and suffix RA.

(3) To delete items, use original entries and enter "delete" in revised column.

For reapplication of a practice, use revised amount needed.

(4) Enter a brief statement of why the revision or modification is needed on the last page of the SCS-CPA-12.

(5) (a) he participant must sign and date the last page of each revision or modification to indicate approval.

(b) repare and distribute the same number of copies as the original conservation plan.

(c) Record the revision number in the reference column of SCS-CPA-11, SCS-CPA,11A, or SCS-CPA-12 for each contract item revised. The original item should be lined out to indicate that it is closed.

(6) The district conservationist must sign and date to indicate technical adequacy.

(7) The conservation district must sign and date to approve.

U.S. DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE

SCS-CPA-012
8-85
Form Approved
OMB No. [illegible]

REVISION OF PLAN/SCHEDULE OF OPERATIONS OR MODIFICATION OF CONTRACT

NAME	COUNTY	STATE	CONTRACT OR AGREEMENT NUMBER	REVISION OR MODIFICATION NUMBER
Participant	Any County	Any State	0001	(1)

NOTE ➡ This information is used in both the development and implementation of a Conservation Reclamation or Water Quality plan as the basis for technical assistance and/or cost sharing. The authorities for such work are: 16 USC 590a-f (Soil Conservation); 16 USC 1301-1311 (Water Bank); 16 USC 590p(b) (Great Plains); 30 USC 1236 et seq (Rural Abandoned Mines); 33 USC 1288 et seq (Rural Clean Water). Furnishing information is voluntary and will be confidential; however, it is necessary in order to receive assistance.

ITEM NO.	FIELD	PLANNED TREATMENT (RECORD OF DECISIONS)	PREVIOUS ESTIMATED COST SHARE	REVISED AMOUNT (UNITS)	*AVERAGE COST $	*COST-SHARE RATE %	REVISED TIME SCHEDULE AND ESTIMATED COST SHARE BY YEAR (FOR NONCOST-SHARE ITEMS SHOW UNITS)				REFERENCE NO.
							19 90	19 __	19 __	19 __	
(2)				(3)							
RA1	2	CP2 Establishment of Permanent	3500.00	100	40.00	FR	4000.00				
		Native Grasses (550) - Acre. Refer									
		to attached job sheet and specifications									

BASIS FOR MODIFICATION OR REVISION Original seeding not established due to lack of moisture over the past 3 years and through no fault of the Participant. (4)

* FOR NONCOST-SHARE ITEMS SHOW N/C

Page __ of __

APPROVAL BY PARTICIPANT
(5) ____________________
DATE

APPROVAL OF ADMINISTERING AGENCY (RC&D only)
____
DATE

CONCURRENCE OF SOIL CONSERVATION SERVICE
(6) ____________________ DATE
(7) ____________________ DATE

*U.S. Government Printing Office : 1986 - 490-918/40112

U. S. Department of Agriculture February 3, 1986

Conservation Reserve Program

Conservation Reserve Program Authorized Under the 1985 Farm Bill	1.	(Title slide)
Food Security Act of 1985 Title XII—Conservation Subtitle D— Conservation Reserve Primary purpose: establish a voluntary program to conserve and improve soil and water resources by taking highly erodible land out of crop production	2.	The Conservation Reserve Program was authorized under the Food Security Act of 1985—the 1985 farm bill. Its primary purpose is to establish a voluntary program to conserve and improve soil and water resources by taking highly erodible cropland out of production.
CRP Benefits —conserve soil and water resources —improve water quality —curb production of surplus commodities —enhance fish and wildlife habitat —increase timber supply	3.	The main benefits of the program are to conserve soil and water resources, improve water quality, curb production of surplus commodities, enhance fish and wildlife habitat, and increase timber supply.
CRP Benefits —Reduce erosion 764 t/yr (millions) —Reduce sediment 211 t/yr (millions) —Reduce pesticide 61 lbs/yr (millions) —reduce fertilizer 1,445 t/yr (thousands)	4.	Based on a 40- to 45-million-acre program, erosion will be reduced by an estimated 764 million tons a year. That's enough topsoil to fill a train long enough to circle the earth three and a half times. Sediment entering streams and other surface waters will be reduced by 211 million tons. Less pesticide and fertilizer will be used.

CRP Acreage Goals —1986 crop year 5 million or more —1987 crop year 10 million or more —1988 crop year 10 million or more —1989 crop year 10 million or more --1990 crop year 5 million or more	5.	Acreage goals have been set for the 5 years of the farm bill. In 1986, it is 5 million acres or more. In 1987, 1988, and 1989, 10 million acres or more each year. And in 1990, 5 million acres or more. In total, USDA may accept up to 45 million acres in the reserve.
CRP Funding —funded through the Commodity Credit Corporation. —includes fund transfer for —technical assistance --information and education --starting in 1988, funds must be appropriated into the CCC for the CRP before new contracts may be signed	6.	Funding will come from the Commodity Credit Corporation. This includes funds for technical assistance and the information and education phase of the program. Starting in 1988, funds must be appropriated into the CCC specifically for the Conservation Reserve Program before new contracts may be signed.
How the Program Works --voluntary (producer decides to apply and what land to offer) --competitive (producer will bid on the annual rental payment desired) --50-percent cost-share for cover establishment --10-year contract period	7.	Key elements of the program are that it is voluntary and it is competitive. Producers decide what highly erodible cropland to offer for the reserve and bid what they would accept for an annual rental payment for the 10-year contract period. In addition, participants can receive a 50-percent cost-share payment for establishing permanent vegetative cover.
Eligible Cropland --must have been planted or considered planted to a commodity at least 2 of the years 1981-1985 --must be physically possible to crop --must be predominantly highly erodible —owned as of 1/1/85 or for 3 years	8.	To be eligible, cropland must meet several criteria: it must have been planted or considered planted to a crop at least two years between 1981 and 1985. It must be physically possible to crop. It must be predominantly highly erodible. And it must be owned or operated by the applicant as of January 1, 1985, or for a minimum of three years prior to signing the contract.
Commodity --any crop planted annually (including sugarcane) --nonprogram farm crop history must be established by farmer certification	9.	A commodity is any crop planted annually plus sugarcane. For crops not previously certified, the crop history must be established by farmer certification.

Highly erodible --land capability classes VI, VII, VIII --land capability classes II-V with soil erosion in excess of 3 times soil loss tolerance --combination of the above	10.	For 1986, highly erodible cropland is defined as in land capability classes VI, VII, and VIII...or in land capability classes II through V with soil erosion in excess of three times soil loss tolerance...or a combination of the two.
Total Eligible Land --for program planning purposes --69.5 million acres --some in every state --based on 1982 NRI data	11.	For 1986 program planning purposes, eligible land totals sixty-nine and a half million acres, with every state having some eligible land. This acreage is based on erosion data gathered from 350,000 field evaluations by Soil Conservation Service personnel during the 1982 National Resources Inventory.
(water erosion)	12.	Erosion occurs when the land is no longer able to absorb the rainfall.
(sediment)	13.	Some of the topsoil stops at the lower end of the slope but millions of tons rush on downstream, polluting our lakes and rivers.
(wind erosion)	14.	Wind erosion, often considered a problem of the 1930's, is still a serious problem in dry years.
(wind erosion)	15.	This is especially true in the ten Great Plains states. There, an average of about one million acres are damaged by wind erosion each year.
Predominance Means --field must be at least two-thirds highly erodible --first separate management units of non-highly erodible land --existing fields may be redefined	16.	To be considered predominantly highly erodible, a field must be at least two-thirds highly erodible. Within limits, management units of land that are not highly erodible should be separated from the highly erodible units. Existing fields that do not have at least two-thirds highly erodible land may be redefined so the resulting fields will qualify.

(redefined field)	17.	Let's look at some examples, remembering that a field must be two-thirds highly erodible to qualify for the reserve. If the field is less than nine acres, the entire field must be entered into the program. If the field is nine acres or larger, the applicant may choose to put all or part of a field into the reserve. The minimum size of a redefined field is three acres.
(redefined field)	18.	Often it is not logical to separate out the areas that are not highly erodible. A field is considered eligible if the highly erodible area makes up at least two-thirds of the field.
(redefined field)	19.	A field can be redefined so that it will contain at least two-thirds highly erodible cropland.
(redefined field)	20.	The size of a field may influence an applicant's decision about how much of the field will be entered into the reserve. The applicant may choose to separate out the portion of the field that is not highly erodible.
Eligible Practices for Permanent Cover --introduced grasses and legumes --native grasses --wildlife habitat --field windbreaks (with above) --trees	21.	Eligible practices for permanent cover are:
(introduced grasses)	22.	--introduced grasses and legumes
(native grasses)	23.	--native grasses
(wildlife habitat)	24.	--wildlife habitat
(field windbreaks)	25.	--field windbreaks
(trees)	26.	--and trees.

Other Cost-shared Practices (as needed for cover establishment) --diversions --erosion control structures --grass waterways --shallow water areas for wildlife	27.	Other cost-shared practices, as needed for cover establishment, are:
(diversion)	28.	--diversions
(erosion control structure)	29.	--erosion control structures
(waterway)	30.	--grass waterways, and
(shallow pond)	31.	--shallow water areas for wildlife.
Conservation Review Group (CRG) National, state, and county levels Members--ASCS, CES, FmHA, FS, SCS, and state conservation, forestry, wildlife agencies, and SCD	32.	Conservation Review Groups at national, state, and county levels play key roles in the Conservation Reserve Program. Members are USDA's Agricultural Stabilization and Conservation Service, Cooperative Extension Service, Farmers Home Administration, the Forest Service, and the Soil Conservation Service; state conservation, forestry, and wildlife agencies; and soil conservation districts. They make up a unique federal, state, and local partnership. What are the major roles of each of the review group members?
Agricultural Stabilization and Conservation Service --base acre determination --verify cropping history --accept or reject bids --sign contracts --administer program	33.	The Agricultural Stabilization and Conservation Service will determine base acreage, verify cropping history...accept or reject bids...sign contracts...provide measurement services...and administer the program.
Cooperative Extension Service --lead public information and education program	34.	The Cooperative Extension Service will provide leadership for public information and education. This will include assistance from their specialists, including farm management specialists, biologists, agronomists, range conservationists, and foresters.

Farmers Home Administration --loans for participants --economic advisors to participant	35.	Farmers Home Administration may provide loans for participants under their regular loan programs and act as economic advisors to participants.
Forest Service --assist state forestry agencies with tree planting plans —technical help for tree planting	36.	The Forest Service will coordinate and provide technical assistance to state forestry agencies for tree planting.
Soil Conservation Service --determine land eligibility --determine suitability for trees --help applicant develop plan (after bid is accepted) --assist conservation districts	37.	The Soil Conservation Service will determine land eligibility...determine if the soil is the type that will grow trees...help applicants develop conservation plans after their bids are accepted...and assist conservation districts.
State Conservation Agency --serve on SCRG --coordinate SCD activities	38.	The state conservation agency will coordinate soil conservation district activities.
State Forestry Agency --help applicant prepare tree planting plan (after bid is accepted) --send tree planting plan to SCD for inclusion in conservation plan --help provide trees to plant --inspect and certify tree plantings	39.	The state forestry agency will help the applicant prepare a tree planting plan after the bid is accepted. The plan will be included as part of the conservation plan. The agency will also inspect and certify tree plantings.
State Wildlife Agency --serve on SCRG --represent wildlife interest	40.	The state wildlife agency will represent wildlife interests.
Soil Conservation District --approve conservation plan --provide technical assistance to apply the plan	41.	The soil conservation district will approve the conservation plan and provide technical assistance throughout the program.

CRG Responsibilities --assure interagency coordination --concur in standards and specifications for cover establishments --develop strategy for implementation --resolve issues	42.	Joint responsibilities of the Conservation Review Group are to: --assure interagency coordination --concur in standards and specifications for cover establishment --develop a strategy to implement the program, and --resolve issues as they come up.
Sign Up --Where: County ASCS office --When: March 3-14, 1986 (proposed annual sign up for next 4 years) --Who: Applicant --How: Assisted by ASCS, SCS, state forestry and other agencies	43.	The signup will be in county ASCS offices from March 3 to March 14, 1986. Signup dates for later program years will be announced annually. Personnel from ASCS, SCS, state forestry and other agencies are expected to be available to assist applicants.
Sign Up Applicant needs to: --designate cropland --provide cropping history for 1981-1985 including conservation and management practices --submit bid for annual rental	44.	To sign up, applicants need to: --designate the cropland fields they wish to enter into the program --provide a cropping history for the designated acreage for 1981 through 1985. This would include conservation practices, such as terraces or contouring, and management practices, such as how the crop residues are managed for erosion control --and submit a bid for an annual per acre rental payment.

Bidding Considerations —cropland rental rates —commodity price support foregone —cost to farm highly erodible land under conservation compliance provision --maintenance costs --investment comparisons	45.	An applicant will have a number of considerations in making that bid: --cropland rental rates --commodity price supports --target prices --conservation compliance provisions of the farm bill --market fluctuations --maintenance costs of the grass or tree cover --investment comparisons
Bidding Considerations (continued) --inflation --wildlife benefits (wildlife leasing --owner-tenant agreement --returns after contract expires --others which applicant identifies	46.	--inflation --wildlife benefits, including possible income from wildlife leasing --owner-tenant agreement --what returns can be expected from the grass or trees after the contract expires --and other considerations which the applicant may identify.
Payments --50-percent cost-share payments when practice is installed --rental payments for 10 years --payments after October 1	47.	The 50-percent cost-share payments for establishing permanent cover will be paid when the practice is properly installed. Cost-share payments may be assigned to suppliers of grass seed and others who furnish supplies or services. Annual rental payments will be made for 10 years, with payments made as soon as possible after October 1.
Bases, Allotments and Quotas —aggregate total of all bases, etc., are reduced during the 10-year contract period in the same ratio as CRP acres is to the total cropland on the farm —if 20 percent of cropland is in CRP then the reduction is 20 percent —participant decides which to reduce	48.	The aggregate total of all bases, allotments, and quotas will be reduced during the 10-year contract period in the same ratio as the Conservation Reserve Program acres are to the total cropland on the farm. For example, if 20 percent of the total cropland on the farm is entered into the Conservation Reserve Program, then the reduction of the bases, allotments, and quotas is 20 percent. If the participant has more than one base, he will make the choice of which base to reduce for the life of the contract.

County ASC Committee --recommend maximum bids --send bids to state ASCS office --notify SCS of bids accepted --inform applicant of bid status --receive and process appeals	49.	The county ASC committee will-- --develop cost-share rates --recommend the maximum per acre bid level for the county --send the bids to the state ASCS office --notify SCS of those applicants whose bids are accepted --inform the applicants of the status of their bid --and receive and process program appeals.
Bidding Pools --separate bidding pools for each state --SCRG decides if substate pools are needed --SCS can provide eligible acres by MLRA's	50.	Each state will be a separate bidding pool. ASCS will decide if additional pools are needed in the state after considering recommendations from the state conservation review group.
How SCS Computes Total Average Annual Erosion Rate USLE + WEQ	51.	SCS will compute the total average annual erosion rate by the use of two formulas: the universal soil loss equation (USLE) and the wind erosion equation (WEQ).
USLE Equation: A=RKLSCP A=average annual erosion rate - will be calculated R=rainfall - given for each county K=soil erodibility - from soils information LS=slope length, % slope - assigned by DC/SS or Rep. C=cropping and management or cover - applicant P=erosion control practice - applicant	52.	The USLE calculates the average annual erosion rate using five factors: --rainfall --soil erodibility --slope length and percent of slope --cropping and management of crop residue --and erosion control practice.
Wind Erosion Equation E=average annual erosion rate I=soil erodibility - from soils information C=climate - given for each county K=ridge roughness - applicant L=unsheltered distance - applicant V=vegetative cover - applicant	53.	The wind erosion equation also uses five factors in determining the annual rate: --soil erodibility --climate --ridge roughness --unsheltered distance --and vegetative cover.

Counter Eligibility Screening Eligible Class VI, VII, VIII $A>3.5T$ - Class II - V Questionable $A>2.5T$ $A \leq 3.5T$ Ineligible $A \leq 2.5T$	54.	To determine if the cropland meets the highly erodible 3T eligibility criteria, cropland will be placed in one of three categories when the farmer comes to the ASCS office to sign up. If the cropland is in land capability classes VI, VII, and VIII, it is placed in the eligible category. It also will be determined eligible if it is in land capability classes II through V with an erosion rate for sheet, rill, and wind erosion greater than three-and-a-half times T value. This would be based upon information provided from the soils map and by the farmer. The second category is cropland where eligibility is questionable. This is land where the counter determination shows that the erosion rate exceeds two-and-a-half times T value but is less than or equal to three-and-a-half times T value. Cropland is considered ineligible where the average annual erosion rate is less than or equal to two-and-a-half times T value.
Categories of Eligibility Eligible - no field visit needed Questionable - field visit needed --may bid --if accepted --field evalution by SCS --if $>3T$ is eligible	55.	No field visit is needed to determine eligible land. A field visit is needed on land considered questionable. A farmer may bid and, if the bid is accepted, SCS will do a field evaluation. If the average annual erosion rate is greater than 3T, the cropland is eligible.

Conservation Plan --covers only CRP acres --concise --signed by applicant --SCS approves technical adequacy --SCD approves for transmittal to ASCS --includes cover establishment and maintenance	56.	Conservation plans shall be developed for the Conservation Reserve Program and will: --cover only acres in the program --be simple and concise --be signed by the applicant --have SCS approval for technical adequacy, and --be approved by the local soil conservation district. Plans must include all practices required to establish and maintain the grass or tree cover.
Contract Compliance --reviewed annually by technical agency until practices are established --compliance checked by ASCS thereafter		Each contract will be reviewed annually by the assigned technical agency until the practices are determined to be sufficiently established to control erosion. After that, compliance will be checked by ASCS.
Limitations --$50,000 CRP annual rental per person --25% cropland limit per county	58.	There is a limit of $50,000 in annual rental payment per person. This is in addition to other USDA payments. No more than 25 percent of the cropland in any one county can be in in the program.
What You Can't Do --plant Christmas trees, vineyards, nursery stock, orchards, or nut trees --permit grazing --harvest hay or seed	59.	There are several things participants must avoid: planting Christmas trees, vineyards, ornamentals, orchards, or nut trees; grazing; and harvesting hay or seed from acres while in the 10-year reserve.
Contract Violations --subject to refund --cost-share --annual rental	60.	Where there are contract violations, applicants may be required to refund cost-sharing and annual rental payments received during the contract period. Likewise, if the land is sold, the new owner must assume the contract or refunds may be required.

Conservation Compliance --land is subject to conservation compliance following expiration or termination of the CRP contract --must be farmed according to an approved conservation system or plan by 1/1/90 for farm program benefits. Exempt until 1/1/95 if actively applying plan.	61.	All highly eroding land, including land in the reserve, will be subject to the conservation compliance provisions of the farm bill. This provision requires all highly erodible land to be farmed according to an approved conservation system or plan by January 1, 1990, to be eligible for farm program benefits. An exemption will be given until January 1, 1995, if the participant is actively applying a conservation plan.
Conservation Challenge of the Century --CRP can be the most significant soil conservation program in U.S. history	62.	The Conservation Reserve Program is viewed by many as the conservation challenge of the century. It may well be the most significant soil conservation program in the history of the United States.
(USDA logo)	63.	(music)

CONSERVATION RESERVE PROGRAM QUESTIONS AND ANSWERS

Revised 2/10/86

Pages	Titles	Revised Q & A's
1-2	A. Purpose	4, 9
3	B. Eligible Acreage	2
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15	I. Agency Responsibilities	

The following questions and answers are based on preliminary information about the Conservation Reserve Program (CRP.) They should NOT be used as official procedure in administering the program.

*Denotes new or revised questions and answers from those issued on 1/13/86

A. Purpose

A 1. Q What is the purpose of the Conservation Reserve Program (CRP)?

A To protect the Nation's natural resource base by removing highly erodible cropland from production. Removal will reduce sedimentation in streams and enhance wildlife habitat. Another goal of the program is to increase commodity prices received by farmers by curbing production.

A 2. Q Why the big push on a conservation reserve now?

A The current state of the farm economy calls for a production adjustment program to decrease supply and thereby increase the prices received by farmers. At the same time, highly erodible cropland is being farmed, thereby contributing to the nation's soil erosion. The CRP is a way to achieve erosion control on cropland over the long term while immediately helping to stabilize farm income and the overall farm economy.

A 3. Q With the concern over reducing the federal budget deficit, how can the Department justify this new program?

A Depending upon the total enrollment and the average accepted bid per acre, this program may reduce net Commodity Credit Corporation (CCC) outlays by reducing expenditures in price support programs.

*** A 4.Q What does "highly erodible" mean?**

A For the 1986 crop year, highly erodible means, for CRP purposes, land capability classes II-V that have an average annual erosion rate in excess of three times the soil loss tolerance, or land capability classes VI-VIII.

A 5. Q How will this program work?

A Annual rental payments of up to $50,000 per year in cash or commodity certificates will be made to farm owners or operators who enter a ten-year contract to convert highly erodible cropland to permanent vegetative cover. A 50% cost-share payment will also be made to participants for establishment of the cover.

A 6. Q What is "soil loss tolerance"?

A Soil scientists say soil loss tolerance approximates the rate at which natural processes can replace soil. On deep soils, the "tolerable" rate of erosion -- expressed as the "T" rate -- is usually 4 to 5 tons per acre per year. On shallower, more fragile soils, the T rate is much lower.

A 7. Q Will the land just sit idle?

A The designated area will be devoted to a conserving use during the life of the contract. Harvesting, grazing, or other commercial use of forage is NOT allowed. Maintenance measures, such as weed control, will be required. The area may be managed for wildlife habitat and thinning, pruning, and other maintenance of tree plantings may be conducted if specified in the conservation plan.

A 8. Q How does the CRP differ from the old Soil Bank of the 50's?

A There was no attempt on USDA's part to limit the lands enrolled in the Soil Bank to croplands that were highly erodible or otherwise fragile. It was primarily a production reduction program.

The CRP, however, is primarily an erosion control program and is aimed at the most highly erodible cropland in the Nation. Therefore, the on site and off-site damages caused by soil erosion will certainly be reduced more sharply.

*A 9. Q What would prevent this fragile land from being overworked again at the end of the program? Couldn't the cycle start all over?

A If possible, one-eighth of the acreage placed in the CRP will be planted to trees. Tree plantations tend not to be converted to row crops quickly. Many acres will be planted to native grasses which will be less likely to be plowed out than pasture grasses. It is anticipated that breaking out class IV - VIII or other lands as determined by the rule making process will be discouraged by sodbuster provisions and conservation compliance at the end of the contract period.

B. ACREAGE

B 1. Q How much acreage is involved? What are the yearly enrollment goals?

A USDA may accept up to 45 million acres during the life of the CRP. The yearly goals are as follows:

1986 crop year: at least 5 million acres.
1987 crop year: 10 million or more.
1988 crop year: 10 million or more.
1989 crop year: 10 million or more.
1990 crop year: 5 million or more.

* B 2.Q How much land is eligible?

A Based on the 1982 National Resources Inventory there are approximately 69.5 million acres of cropland that met the land capability class and erosion rate criteria being used for the 1986 crop year. (In excess of 3T.)

B 3. Q Where is the major erosion danger? Will the money go there?

A Nearly every county in the nation has some highly erodible cropland. The location of acres placed under contract will be determined by where the sign-up occurs and by the bids accepted.

B 4. Q How will the program be applied nationwide?

A "Pools" will be set up across the country. Farmers will submit bids to county offices stating the annual rental payment they would accept to enroll their land in the CRP. County offices will submit the bids to the pool in which they are located. Bid acceptance will be based on the rental rates per acre offered.

B 5. Q What sections of the country have the largest amount of land eligible for the reserve?

A The Corn Belt with 23%, has the largest amount of eligible acreage. The Southern Plains, Northern Plains, and Mountain States account for 49%. Texas has the most acres of any individual state.

B 6. Q If my farm has a farm program commodity base, how will it be affected by participation in the CRP?

A The aggregate total of all bases, allotments and quotas will be temporarily reduced during the life of the contract in the same ratio as the acreage placed in the CRP is to the total cropland acres on the farm.

B 7. Q My farm has a wheat base, a corn base, and a tobacco base. Can I select which base is to be reduced? Can I retain my tobacco base?

A Yes. Your aggregate base will be reduced. However, you designate which individual crop bases to reduce.

C. COST SHARE AND RENTAL PAYMENTS

C 1. Q How much money can I expect to receive for placing cropland in the conservation reserve?

A You will receive annual rental payments for the 10 years that your land is in the reserve. The actual amount you receive will depend on your bid per acre and the number of acres under contract. You will also receive 50 percent of eligible costs of establishing trees or grass on the acreage placed in the reserve.

C 2. Q How long is the contract between a farmer and USDA?

A 10 years.

C 3. Q When can a farmer expect payment?

A Regarding any annual rental payment, as soon as practicable after October 1 of each calendar year. Regarding any cost-sharing payment, as soon as possible after the farmer reports that the practice is installed.

*C 4. Q What practices are eligible for cost share when establishing land cover?

A Five cover practices are eligible for cost share. They are permanent introduced grasses and legumes, permanent native grasses and legumes, trees, wildlife cover, and shallow water areas, and field windbreaks. Erosion control practices, only as needed to establish the cover practices, may also be cost shared.

C 5. Q What percentage will USDA pay on conservation payments to farmers?

A Fifty percent of the eligible costs of establishing eligible cover.

C 6. Q How is the amount of annual rental payments to farmers determined?

A Through submission of bids which state the annual rental rate per acre the farmer is willing to accept.

C 7. Q What's the difference between a rental and conservation payment?

A A rental payment compensates a farmer for retiring highly erodible cropland from crop production. A conservation payment partly reimburses a farmer for one half of the one-time cost of establishing vegetative cover.

C 8. Q Are payments taxable as gross income for federal income tax purposes?

A All rental payments are. Cover establishment cost shares may be. IRS will be making a decision on this.

C 9. Q If a farmer is delinquent on an FmHA loan, will the CRP rental payment be made to the farmer, or will it be used to repay the delinquent loan?

A CRP payments will be set off to cover indebtedness to the Federal Treasury.

C 10. Q Are there any limitations on CRP payments?

A The total amount of rental payments for any fiscal year may not exceed $50,000. There is no payment limit on cost share for cover establishment.

C 11. Q Does the CRP rental payment limitation affect other USDA program payments a farmer may be eligible for?

A No, they are in addition to the total amount of payments a farmer is otherwise eligible to receive.

D. COST-BENEFITS

D 1. Q How will the cost of the CRP be offset?

A Over the 10-year period, CRP outlays will be offset by reduced outlays for annual loans, deficiency payments and storage costs under existing commodity price support and land retirement programs.

D 2. Q What are the benefits of CRP?

A The CRP will:

Remove the most highly erodible and severely eroding cropland from production, thereby reducing erosion and sedimentation, improving water quality, and improving wildlife habitat.

Reduce production of commodities and thereby reduce expenses of ongoing commodity programs.

Increase commodity prices received by farmers, and somewhat reduce the need for annual production adjustment programs.

*D 3. Q What specific environmental effects are projected for the reserve?

A No adverse environmental effects are projected for the CRP. The positive environmental benefits of a 40 million acre CRP include:

-- Approximately 760 million tons of annual soil erosion will be prevented based on an enrollment of 10 percent of all cropland. Much of this erosion reduction could be permanent, if farmers elect to retain protective cover even after the contracts expire.

-- The amount of sediment reaching streams and other surface water from reserve lands will be reduced annually by 211 million tons.

-- The amount of pesticides applied annually will be reduced by about 60 million pounds, or more than 15 percent of that applied on cropland in 1982. It is possible, though, that some pesticides will be used in preparing the land for seeding or tree planting.

-- Wildlife habitat quality should improve significantly.

E. ELIGIBILITY AND BIDDING

*E 1. Q How do I know if my cropland is eligible for the reserve?

A Your cropland is eligible for the 1986 program if:

--it is in capability classes II - V and it has an average annual erosion rate in excess of three times the tolerance rate for the soil as specified by SCS field office technical guides, or

--it is in capability class VI or higher, or

--a combination of both

To find the capability classes of your land, consult the soil survey for your county. The Soil Conservation Service district conservationist can help you determine the erosion rate on your land through use of the Universal Soil Loss Equation and the Wind Erosion Equation.

E 2. Q What is the definition of cropland for CRP purposes?

A The general definition is land that has been planted to produce an agricultural commodity (planted annually and sugarcane) other than orchards, vineyards, or ornamental planting in two of the 1981 through 1985 crop years and is still available for crop production. This includes acreage considered to have been planted under 1981-1985 ASCS land retirement programs.

E 3. Q Is participation in this program mandatory?

A No, participation in the conservation reserve is strictly voluntary. Farmers who find the program attractive will be free to submit bids for enrolling their land in the program. Farmers may elect not to bid.

*E 4. Q What is the smallest acreage I can sign up?

A An established cropland field of any size having two thirds or more of its acres determined highly erodible cropland is eligible. Established fields of 9 acres or larger may be redefined to meet the two thirds highly erodible cropland requirement and each redefined field must have a minimum size of 3 acres.

*E 5 .Q Do I have to put a whole field in the reserve?

A Not if a field is nine acres or larger and can be logically split (redefined) into more than one field. All redefined fields must be 3 acres or larger.

E 6. Q Can corporations and partnerships sign up?

A Yes.

E 7. Q How many years must a farmer have owned the land before placing it into a reserve contract?

A If you owned the land on December 31, 1984 you are eligible for consideration for the CRP. If you purchased your land on January 7, 1985 or later you will not be eligible until you have owned the land for 3 years.

E 8. Q Will cropland affected by high salinity concentration be eligible for the program even if it does not meet the erodibility requirement?

A No. The goal of the CRP is to reduce erosion on highly erodible cropland.

E 9. Q I have land in two States. Can I sign up in each State?

A Sign-up will be on a farm-by-farm basis. Where you sign up will depend upon how your farm(s) are constituted. Check with your ASCS office(s).

E 10. Q If I have a field with some eligible land, is it all eligible?

A Possibly. If the eligible land is at least two-thirds of the field, and the non-eligible land can't be separated into a manageable unit, the entire field is eligible. If it is less than two thirds, the field is not eligible unless the field is redefined.

*E 11.Q I have a section of Class IV land that doesn't have much sheet and rill water erosion, but wind erosion is a serious problem. Is it eligible?

A Yes, if it has a total predicted erosion rate greater than 3T for the period 1981 through 1985. Wind and water erosion rates are added together when checking eligibility.

E 12. Q I haven't been growing crops that have commodity bases but my land meets all the other criteria (erosion rate, capability class and planted 2-years during 1981-1985). Is my land eligible?

A Yes, if you can establish through certification that it was planted 2 years during 1981-1985.

F. SIGN UPS

*F 1. Q When will the CRP signup begin?

A For 1986 USDA will conduct a 10 day sign up from March 1986. A second signup will be announced later this year for 1987 crops.

*F 2. Q What do you mean by a "second signup" ? Will I get other chances?

A Sign-ups may occur each year from 1986-1990 unless program funds are not available during any of these years. Eligibility will continue to be determined on the base period of 1981 through 1985 regardless of signup year.

*F 3. Q What materials should I take with me to the county ASCS office when I am ready to sign up for the CRP?

A Be prepared to identify a map of the fields you propose to retire, provide a cropping history of the fields (from 1981 through 1985) and be prepared to answer the questions: What tillage methods were used, are fields terraced, contoured, contour strip cropped, or wind strip cropped? Bring the conservation plan for your farm, if you have one.

F 4. Q. How long after the close of sign-up will I be notified of the status of my bid?

A It is anticipated that applicants will be notified of bid acceptance or rejection within a short period of time after the close of sign-up. Some final eligibility determinations may still need to be made after bid acceptance before a contract can be finalized.

*F 5. Q I don't have a conservation plan. Can I still participate? Or, can I have a conservation plan done later? How long does it take?

A Yes, SCS will assist landusers to develop plans for approval by Conservation Districts as quickly as possible.

F 6. Q In my county there is only one technician and no soil survey. How will SCS determine if my land meets the definition of highly erodible? Can I request a private consultant to do the classification and determination of eligibility?

A SCS must determine the classification and erosion rate for all farmers. Every effort will be made by SCS and other cooperating USDA agencies to quickly determine soil information and eligibility for each applicant. You may hire a qualified soil scientist approved by SCS to determine the necessary soil map unit data.

F 7. Q How do I sign up?

A For specific instructions on how to enroll, contact the ASCS office in your county.

F 8. Q What if all my neighbors want to participate also? Is there any limit on the amount of cropland in each county that can be included in the reserve?

A Not more than 25 percent of the land in each county may be entered in the conservation reserve. If too much land in a county were put into the conservation reserve, it might have an adverse impact on the local agricultural or community economics. Farm equipment, seed, fertilizer, and herbicide dealers might be unfairly affected.

*F 9. Q Last year I planted a stand of grass on Class VI land. Is this field still considered eligible?

A Yes, if the field was planted or considered planted to a crop at least 2 years during the years 1981-1985.

F 10. Q I broke Class VI rangeland out in 1984 and fallowed it that year. In 1985, because of drought, I planted but did not harvest a crop on that land. Would this land be eligible for the program?

A This land will not qualify. Land must have been planted 2 years during the years 1981-1985.

G. CONTRACT SPECIFICATIONS

G 1. Q Can a farmer have a CRP contract in addition to an ACP Long Term Agreement, Waterbank, or Great Plains Contract?

A Yes, existing contracts may be modified to accommodate participation in the CRP.

G 2. Q If trees or grass die from drought or disease are re-establishment costs cost shared?

A Yes, if the farmer followed the recommendation of the technical agency and the loss resulted from circumstances beyond the farmer's control.

G 3. Q Can a farmer modify an existing CRP contract to include additional acres at the rate the initial contract was approved?

A No. However, a new bid may be made during a subsequent sign-up period and a new contract executed if the bid is accepted by the COC.

G 4. Q If the farmer sells or transfers the land does the contract also transfer to the new owners?

A The contract can be transferred if the new owners are willing to carry out its terms and conditions and sign a transfer agreement or new contract. Otherwise, the farmer would be responsible for refunding rental and cost-share payments as determined by the Secretary.

G 5. Q Can I have more than one contract on a farm?

A Yes, if the contracts are started in different years and based on separate bids. Only one contract per farm per year otherwise.

G 6. Q Will construction of a road, pipeline or other structure across a CRP planting be in violation of the CRP contract?

A You will not be in violation if you protect the area from erosion. However, land that is no longer considered available for cropping would be removed from the contract.

G 7. Q Will the harvesting of tame or native grass seed be allowed on CRP acres?

A No.

G 8. Q If I am accepted, how long will I be obligated to maintain cover on my land?

A You will sign a contract to maintain the cover for ten years.

G 9. Q Can I still charge the local Rod and Gun Club a fee to use my land?

A Yes.

*G 10.Q When the contract expires, what restriction will be placed on my use of the land?

A After the contract expires, you may return your land to crop production if you choose. Under the "conservation compliance" provision of the farm bill, though, you could participate in certain USDA farm and commodity programs if your land is in capability classes IVe, VI, VII, VIII or whatever lands that are designated highly erodible during the rule making process, only if you have and follow a conservation plan or system approved by your local conservation district.

*G 11.Q What are the penalties for not complying if I wish to return my land to cropping before my contract expires?

A Should you decide to return your land to production before contract expiration, you may do so if you repay the government, with interest, all of its costs for annual rental and establishing cover. In the event of national need, the Secretary of Agriculture may declare that any farmer who wants to return the land to production may do so without penalty.

*G 12 Q Are legumes eligible as permanent cover?

A Recommended seeding mixtures will be developed at the state and county levels. Any seeding mixture approved for by the county is eligible. 100% legume seedings that are short-lived will not provide adequate cover for 10 years and will not be recommended?

G 13 Q To what level does erosion on the field have to be reduced?

A There must be adequate erosion control as determined by the District Conservationist using the local field office technical guide.

*G 14 Q Can I plant field windbreaks in a CRP field?

A Yes, if the remaining area of the field is planted to grasses and legumes and the field meets the definition of an established or redefined field.

*G 15 Q How will compliance be checked?

A A representative of SCS, the State Forester, or ASCS will verify permanent vegetative cover practice completion. Thereafter, ASCS will perform random spotchecks to ensure program compliance.

G 16. Q Do filter strips around streams qualify for CRP?

A Filter strips are not eligible. However, a field along a stream that meets the eligibility criteria would be eligible.

*G 17.Q I intend to break out new cropland next year. Will this jeopardize participation in CRP?

A Yes, if the land is considered "highly erodible" according to Sodbuster rules unless such land is farmed according to an approved conservation system, or is 'converted wetland' as defined in Swampbuster rules. Both of these are violations of the CRP contract and could result in contract cancellation and refund of payment.

*G 18. Q I planted clover in my wheat in Febuary 1986 and now want to put this field in the CRP. Must I replant this field this spring to a required permanent grass or may I wait till the fall of 1987? The clover stand is excellent?

A You may reseed this field in the fall of 1987 or spring of 1988 and recieve CRP cost share for the permanent grass seeding as long as the stand of clover provides the necessary protection from erosion until the permanent grass cover is seeded. No harvesting or grazing of the wheat or clover would be allowed.

H. TREE PLANTING

H 1. Q What are the main benefits of planting trees?

A Soil, water, and wildlife benefits from tree planting will continue for decades beyond the contract period. Trees may provide additional income through recreational use, such as hunting. When harvested, trees provide income for the landowner, wood for the consumer, and employment for the local community.

H 2. Q What happens to the trees when the contract period is fulfilled?

A The trees belong to the landowner. When the 10-year contract period is fulfilled, an additional bonus to the landowner will be ownership of a valuable stand of income-producing timber.

H 3. Q Where will the seedlings come from for the Conservation Reserve plantings?

A State and private tree nurseries, and the forestry industry are expected to provide the necessary seedlings.

H 4. Q Who will plant the seedlings?

A Participants will either do the planting themselves, or hire someone to do the planting. Private contractors will plant many of the trees, adding to local employment opportunities.

H 5. Q Is pruning and thinning allowed on acres planted to trees?

A Yes. Any activity that is consistent with customary forestry practices such as pruning, thinning or stand improvement, is allowed if included in the conservation plan. Any wood products removed during this process may not be sold or otherwise commercially used.

*H 6. Q Can Christmas trees be planted to protect CRP land?

A No. The act requires that the CRP contract specify that the plantings or harvesting of Christmas trees is prohibited.

H 7. Q Will the CRP replace other federal tree planting assistance, such as the Forestry Incentives Program (FIP) and the Agricultural Conservation Program (ACP)?

A No, tree planting under the CRP will supplement other tree planting programs, not replace them. However, since it will be more beneficial for the owner of highly erodible cropland to plant trees on that land through the CRP, FIP will probably be used more to reforest lands which are not eligible for the Conservation Reserve Program.

H 8. Q How will the USDA Forest Service be involved in the program?

A The Forest Service will coordinate and provide technical assistance to the State Forestry Agencies. These agencies will help landowners develop tree planting plans, approve the plans, and inspect and certify the plantings.

H 9. Q Isn't tree planting receiving a major emphasis in this program? How many acres will be planted as part of the Conservation Reserve?

A To the extent practicable, one-eighth of the total acreage placed under contract will be planted to trees. This means five million acres of trees if the reserve reaches 40 million acres.

H 10. Q Does it cost the landowner more to plant trees than to establish grass?

A In many cases where tree planting is a suitable choice, it actually costs less. Trees can generally be planted with less site preparation and without the use of expensive fertilizers. Planting trees is sometimes the least expensive method of establishing vegetative cover. Temporary vegetative cover may sometimes be necessary to provide adequate erosion control until the trees achieve adequate growth to provide acceptable control.

I. AGENCY RESPONSIBILITIES

I 1. Q What are the responsibilities of the various federal and state agencies involved? What about conservation districts and county ASC committees?

A The Agricultural Stabilization and Conservation Service will verify cropping history, the Soil Conservation Service will determine land capability classes and erosion rates of the land, the Extension Service will lead public information and education efforts, the Forest Service will coordinate and provide technical assistance for tree planting, and cooperating state forestry agencies will help prepare and approve tree planting plans where appropriate. ASCS will receive, rank, and accept or reject the bids. SCS will help farmers prepare conservation plans. Representatives of the State wildlife agencies will serve on the conservation review group at both the State and local levels to recommend and assist in determining the cover practice specifications necessary for wildlife enhancement. The local conservation district will approve all plans. ASCS county committees will sign contracts with producers. ASCS, SCS, and the state foresters, as appropriate, will help install planned practices. ASCS will verify annual program compliance.

ESTIMATED SOIL SAVINGS FROM THE CONSERVATION RESERVE PROGRAM

Mr. **Whitten**. What is the estimated savings in terms of soil loss for 1986 from ACR? 1987? 1988? 1989? 1990?

Mr. **Scaling**. I will provide that information for the record.

[The information follows:]

Crop year	Cumulative acres in conservation reserve (million acres)	Annual erosion reduction (million tons/year)	Cumulative erosion reduction (million tons/year)
1986	5	105	105
1987	15	211	316
1988	25	163	479
1989	35	163	642
1990	40	82	724

CONSERVATION RESERVE PROGAM COSTS FOR FIRST FIVE YEARS

Mr. **Whitten**. What is the estimated cost of the ACR for each of the next five years?

Mr. **Scaling**. We expect outlays for the Conservation Reserve Program to be about $5 billion over the first five years, mostly for rental payments. These costs would be offset to a large degree by reduced payments through the Commodity Credit Corporation as land is removed from production. I will provide for the record a table showing the annual cost.

[The information follows:]

[Dollar amounts in millions]

Crop year	Cumulative acres in conservations reserve (million acres)	Annual cost	Cumulative costs
1986	5	$190	$190
1987	15	550	740
1988	25	950	1,690
1989	35	1,600	3,290
1990	40	2,075	5,365

CONSERVATION RESERVE PROGRAM, ELIGIBLE ACRES

Mr. **Whitten**. At one time the Department estimated over 100 million acres of cropland would be eligible for the new Conservation Reserve Program. The Department recently revised that estimate to just under 70 million acres. Could you explain the reason for the significant change?

Mr. **Scaling**. We included the definition of highly erodible cropland in the interm rules that account for the 104 million acres. However, to assure that the most erosive land enters the reserve first, we restricted the eligible cropland to only the most highly erodible. This restriction results in 70 million acres being available for the 1986 crop year signup.

GREAT PLAINS CONSERVATION PROGRAM CONTRACTS

Mr. WHITTEN. How many Great Plains conservation contracts were signed in fiscal year 1985. How many have you signed to date in fiscal year 1986?

Mr. SCALING. There were 943 GPCP contracts signed in 1985. These contracts covered 2,144,880 acres and obligated $13,268,903. For 1986, we have signed 386 GPCP contracts as of February 1, 1986. These contracts cover 1,695.141 acres and have obligated $5,334,776.

GREAT PLAINS CONSERVATION PROGRAM EVALUATION

Mr. WHITTEN. In last year's hearing, Mr. Myers stated that the Department was conducting a new evaluation of the Great Plains program that would be scheduled for completion in early 1986. Would you briefly summarize the findings of the evaluation and submit a copy of the evaulation for the record?

Mr. SCALING. The evaluation schedule was delayed and conclusions have not yet been reached in the evaulation. Data collection is essentially completed. Data analysis is in progress. We should have figures which can be released by December 1986.

GREAT PLAINS CONSERVATION PROGRAM BENEFITS

Mr. WHITTEN. For the record please provide a listing of the major benefits and savings achieved by the Great Plains conservation programs since its beginning.

[The information follows:]

Major benefits and savings achieved by the GPCP since its beginning are stated below in general terms.

(1) More than 130 million acres of land in the 518 authorized counties have been adequately protected.

(2) A large percentage of the 62,818 participants in the program are doing a significantly better job planning for drought and other climatic hazards of the Great Plains region. This has been confirmed by studies which have been done in both North Dakota and South Dakota. Analysis of the GPCP evaluation data will provide more complete information.

(3) The GPCP has influenced other land treatment programs to utilize the long-term contracting concept as a strategy for application of needed conservation treatment on an entire farm or part of a farm. Examples of other programs which have begun to use long-term contracting are: ACP, RCWP, Colorado Salinity, PL-566 Land Treatment, and PL-534 Land Treatment.

PROGRAM ACCOMPLISHMENTS

Mr. WHITTEN. What has been the estimated savings in terms of soil that has resulted from work performed for those programs that you propose for termination? Please provide those estimates for each of the programs proposed for termination for the past 5 years.

Mr. SCALING. I will provide that information for the record.

[The information follows:]

The Soil Conservation Service does not collect data in terms of soil savings on an individual program basis. Data on total soil savings collected in 1984 and 1985, shows that conservation practices and systems applied by farmers and ranchers with technical assistance provided under the various action programs of the SCS resulted in reductions in soil losses of 172 million tons in 1984, and 230.5 million tons in 1985. The total number of acres of land improved with SCS assistance for the last five years are:

Fiscal year:	*Acres improved (millions)*
1985	64.4
1984	61.4
1983	52.8
1982	51.6
1981	47.8

It is estimated that 90 to 95 percent of these accomplishments are related to the Conservation Technical Assistance program, and the remaining accomplishments result from work carried out under other SCS programs, primarily Watershed and Flood Prevention Operations, and the Great Plains Conservation and RC&D programs. It should be pointed out, however, that these other programs contribute significantly to other objectives such as flood damage reduction, general resource development and others that are not included in our accomplishment measures for soil savings.

IMPACT OF CONSERVATION RESERVE PROGRAM

Mr. WHITTEN. In the past the Committee has looked critically at the Department's targeting program because of the potential for setbacks in areas where you have already made great progress. If all of your efforts are concentrated to those areas that are qualified for the Conservation Reserve, what will happen to those areas of the country where they have erosion problems that do not fall in category of lands to be covered by ACR?

Mr. SCALING. Implementation of the Conservation Reserve is not going to require that we concentrate all our efforts on those areas that qualify for the program at the expense of other areas of the country. We will still be providing conservation technical assistance on a nationwide basis to address a wide array of soil and water resource problems reflecting Federal, state, and local priorities. Through this effort and with the continued cooperation of state and local conservation agencies and private landowners, we will continue to work to reduce erosion and prevent further degradation of resource conditions throughout the country.

TECHNICAL ASSISTANCE COSTS FOR CONSERVATION COMPLIANCE

Mr. WHITTEN. Section 1203 of the Food Security Act of 1985 requires all farms participating in USDA programs that have soil erosion problems to have a conservation plan approved by SCS by 1990, or they risk losing their participation in USDA programs. The Committee has been advised that SCS will need to provide technical assistance on between 80 and 160 million acres of cropland and lands that have a high or medium potential for conversion to cropland by 1990, depending upon the final criteria that is adopted to define highly erodible lands. On some of this acreage, SCS will simply need to determine if the existing conservation system is adequate to meet the purposes of the law. On other amounts of this acreage, SCS will need to help the land user prepare a conservation plan and implement an acceptable conservation system.

We understand that SCS internally estimates that between 2,700 and 4,000 additional staff years would be required between now and 1990 to meet this workload, exclusive of Conservation Reserve contracts. At current rates, this would amount to between $100 and $150 million over the next 5 years. Would you please comment?

Mr. SCALING. The Department has not determined the effect of the conservation cross compliance provisions. The impact will depend upon the final criteria that are adopted to define highly erodible lands. If the definition is identical to that used in 1986 for the Conservation Reserve, then the acreage for which farmers may request technical assistance is reduced by the amounts under the long term Conservation Reserve contracts. The implications of conservation compliance on sodbuster lands are unknown at this time. As the regulations are developed, we will be analyzing the impacts on the needs for additional staff.

CHESAPEAKE BAY PROGRAM

Mr. WHITTEN. The fiscal year 1986 Continuing Resolution provided $840,000 to supplement SCS work in the Chesapeake Bay cleanup program. Would you give us a status report of this effort?

Mr. SCALING. We allocated $840,000 to SCS in Maryland, Pennsylvania, and Virginia to staff at least 21 positions for bay cleanup activities. In addition, we redirected funds to maintain 10 positions established as a result of the Chesapeake Bay program in fiscal year 1985. In fiscal year 1986 funds and positions allocated in support of this program include $470,000 and 13 positions in Maryland; $490,000 and 13 positions in Pennsylvania; and $180,000 and 5 position in Virginia.

Major SCS activities include providing technical assistance to plan, design, and implement best management practices in support of state and federal cost-share programs for the control of nonpoint source pollution; providing training for conservation district technicians; and encouraging landowners and operators in critical areas to participate in the bay program. We have assigned one person to work with the Environmental Protection Agency to review, update, and use the Chesapeake Bay Computer Model. In addition, a liaison position has been established to promote better coordination between SCS and other federal agencies, state governments, and the District of Columbia who are all cooperating in the Chesapeake Bay cleanup effort.

SCS ASSISTANCE FOR WATER CONSERVATION

Mr. WHITTEN. Water tables are falling, aquifers are being exhausted—particularly in the Mid- and Southwest—these are dangerous signs. What role is SCS playing in trying to control inefficient irrigation practices and poor ground runoff conditions?

Mr. SCALING. Since 1981, SCS has been redirecting additional technical assistance to water conservation activities in the water-short regions of the country. This includes areas of ground water depletion, irrigation induced salinity, and other areas of inadequate water supply. In these areas, SCS provides technical assistance to irrigators to help improve irrigation efficiencies. Normally, SCS first assists irrigators to develop a water management plan that considers the timeliness of irrigation, the crop to be irrigated, soil moisture conditions, and optimum irrigation application rates. Once planned, SCS assists irrigators to apply practices that will help improve irrigation efficiencies; such as, tail water recovery systems, ditch linings, irrigation pipelines, and surface water collection systems. In total, SCS presently devotes about 13 percent of its CTA resources to water conservation activities.

EVALUATION OF CONSERVATION TECHNICAL ASSISTANCE PROGRAM

Mr. WHITTEN. In the SCS report titled "Evaluation of Conservation Technical Assistance—Part 1, National Summary" there are six recommendations concerning conservation technical assistance. With the passage of the Food Security Act of 1985 and the budget proposals to terminate most existing conservation programs, what are the Department's plans for the six recommendations outlined in that report?

Mr. SCALING. The evaluation of conservation technical assistance was based upon information collected in FY 1983 which was the first full year of operation under the National Conservation Program. We believe we have made considerable progress since 1983 in implementing the six recommendations. A summary of our progress to date will be provided for the record.

[The information follows:]

1. SCS redirected technical assistance to areas having the most critical resource problems. From 1983 to 1986, SCS increased the amount of resources devoted to critical areas by a total of $82.5 million. This redirection included two major thrusts; targeting of technical assistance to critical erosion and water conservation areas and focusing of priority problems at all levels. Annually, since 1983, we have been able to increase the tons of soil erosion and acre feet of water saved by roughly 40 percent over 1985 levels. We have developed improved criteria for helping our personnel identify critical areas of cropland and rangeland. We have increased the total acres of rangeland treated annually by 24 percent since 1983.

2. We are in the process of field testing a new timekeeping system that dramatically reduces the amount of administrative time required by field staffs. We plan to implement this system nationwide in FY 1987. This system, when fully operational, will save 70 staff years of administrative time annually and will increase the amount of time for direct onsite technical assistance by an equal amount. Additionally, we have developed computer software to automate the field office record keeping system and eliminate the manual reporting requirement at the field office level. This will increase our efficiency by 10 percent over the next 5–8 years.

3. Lastly, we believe the Food Security Act of 1985 will strengthen our focus on the critically eroding lands in the Nation. It provides some new tools, namely the Conservation Reserve and Conservation Compliance, to help treat the most critically eroding lands. As the FY 1987 budget would continue a full technical assistance program, we would continue to implement the recommendations of the program evaluation in 1987 and beyond.

SNOW SURVEY AND WATER SUPPLY FORECASTING

Mr. WHITTEN. Last year the President's budget proposed to phase out the snow survey and water forecasting program. This year the budget proposes to increase the program by $1,000,000. Why the change of heart?

Mr. SCALING. This change reflects, in general, the higher priority placed on soil and water conservation programs in the 1987 budget as compared with the 1986 budget. The Snow Survey program is highly cooperative, involving state and local agencies, private organizations, and other Federal agencies all of which depend upon data generated by this program for a variety of water management purposes. Because of the regional nature of this program and the need to support the management of limited water supplies on about 10 million acres of irrigated cropland in the West, SCS would continue to provide the leadership for this program in 1987.

The Federal government has invested about $8.5 million since the late 1970's in the automated SNOTEL system through which much of the data to develop accurate water supply forecasts is collected. If we are to continue to operate this system with the necessary degree of reliability, we need to begin to replace some of the automated equipment which is nearing its expected life-span of 10 years. Newer equipment is available and has proven to be highly reliable. The $1 million increase would provide funding for a planned 5-year equipment replacement schedule to keep the system operating. We believe we are facing complete failure of portions of the SNOTEL system in the near future if action is not taken.

HUGH HAMMOND BENNETT MEMORIAL

Mr. WHITTEN. What is the status of the Dr. Hugh Hammond Bennett Memorial?

Mr. SCALING. The Hugh Hammond Bennett Memorial is planned for establishment at Dr. Bennett's birthplace in Anson County, North Carolina. The twenty acre tract of land including the birthplace is presently owned by the North Carolina Chapter of the Soil Conservation Society of America, a 14,000 member professional society founded by Dr. Bennett. The Chapter has a development plan for the site prepared by John Milner Associates, West Chester, Pennsylvania.

The memorial site is being maintained as it currently exists by the chapter membership, using funds acquired through contributions by supporters nationwide. The Chapter is on record as favoring development of the site by the National Park Service as a National Park or Historic Site and Federal legislation that will so establish the memorial and authorize appropriations.

ESTIMATED PERSONNEL REDUCTIONS

Mr. WHITTEN. Please provide for the record a breakdown, by State, of the reductions in personnel that will occur if the SCS is reduced to 9,600 FTE's.

[The information follows:]

The precise determination of personnel reductions in each state has not yet been determined. The following table provides a prorata distribution of approximately where the reductions would be made based on 1985 end-of-year employment levels.

State:	*Reduction*
Alabama	87
Alaska	12
Arizona	69
Arkansas	103
California	102
Colorado	67
Connecticut	33
Delaware	33
Florida	61
Georgia	71
Hawaii	19
Idaho	43
Illinois	59
Indiana	71
Iowa	148
Kansas	113
Kentucky	77

	Reduction
Louisiana	103
Maine	39
Maryland	15
Massachusetts	31
Michigan	35
Minnesota	69
Mississippi	210
Missouri	70
Montana	60
Nebraska	114
Nevada	43
New Hampshire	35
New Jersey	32
New Mexico	71
New York	66
North Carolina	74
North Dakota	46
Ohio	113
Oklahoma	203
Oregon	32
Pennsylvania	103
Puerto Rico	9
Rhode Island	3
South Carolina	47
South Dakota	49
Tennessee	86
Texas	365
Utah	32
Vermont	35
Virginia	87
Washington	42
West Virginia	96
Wisconsin	50
Wyoming	30
National headquarters and national technical centers [1]	276
Total estimated reduction	3,939

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[1] Technical support activities currently provided at the 4 national technical centers at Lincoln, NE; Portland, OR; Chester, PA; and Fort Worth, TX.

RATIONALE FOR PROPOSED PROGRAM TERMINATIONS

Mr. WHITTEN. Last year the President's budget proposed to significantly reduce and-or terminate many of the programs of the SCS. Congress overwhelmingly rejected those proposals, and only two months ago provided funds and guidance to continue those programs that mean so much to the wealth of the United States. What has happened in that short period of time to make you believe that Congress will support termination of the programs now?

Mr. SCALING. We are still faced with unacceptably high Federal deficits which must be reduced if we are to maintain the long-term health of our Nation's economy. The deficit reduction target for FY 1987 under the Gramm-Rudman-Hollings law is substantially more than the reduction mandated for FY 1986. This will require that we take another harder look at spending priorities. We realize these proposals to terminate programs that have made lasting contributions to the conservation of soil and water resources are difficult ones. We believe, however, that we will still be able to maintain a viable Federal conservation program with the resources that would remain, primarily through our technical assistance programs for which additional funds are being requested.

SUPPORT FOR STRONG CONSERVATION PROGRAMS

Mr. WHITTEN. In terms of constant dollars, the appropriations for SCS have gone from $690 million in 1981 to a budget proposal for continued program operations of $350 million in 1987. Do you believe that shows support for a program that keeps the natural resource base of the country strong?

Mr. SCALING. We believe that our 1987 budget request does reflect the high priority placed on soil and water conservation, especially when considered in light of the limited resources that are available within the overall Federal budget. We would retain a full nationwide technical assistance program through which we provide on-site assistance to farmers, ranchers, and other landowners working through local conservation districts. We recognize that this vital Federal assistance must be continued even during these times of economic constraints. We have also strongly supported the new conservation initiatives authorized in the Food Security Act of 1985 which will provide us with some new incentives to address our most serious erosion problems. Even with the proposed budget reductions, we believe that with some additional reliance on nonfederal and private resources, we will be able to keep our country's natural resource base strong.

TRANSFER OF DEPARTMENTAL ADMINISTRATION AND OFFICE OF GOVERNMENTAL AND PUBLIC AFFAIRS

Mr. WHITTEN. Contained in the President's budget is a proposal to transfer $376,000 from SCS to Departmental Administration and $71,000 to the Office of Governmental and Public Affairs. Please explain in detail the use of these funds if transferred.

Mr. SCALING. These funds will be used to finance various services and other central Departmental activities which SCS and other USDA agencies have been financing each year on a reimbursable basis from their own appropriations. This proposal represents a one-time transfer of funds to the staff offices that administer these activities which would be financed from now on through direct appropriations to Departmental Administration and the Office of Governmental and Public Affairs rather than on a reimbursable basis from agency appropriations. These activities include such items as the SES candidate development program. EEO investigations and appeals administration, ethics in government, central job information, employee complaint investigations, safety and health services, cost management services, the USDA newsletter, the Visitor Information Center, and other similar activities which are administered by the USDA staff offices.

SOIL SURVEY PUBLICATIONS

Mr. WHITTEN. In accordance with P.L. 90-620, 1,500 copies of each soil survey are made available to Members of Congress—250 for each Senator and 1,000 for each Representative. In the past two years, how many soil surveys have been completed and what was the congressional distribution of each?

Mr. SCALING. In fiscal years 1984 and 1985, 124 soil surveys were published, of which 170,466 copies were distributed to Members of

Congress. The Congressional distribution of each survey will be provided for the record.

[The information follows.]

SOIL SURVEY PUBLICATIONS
CONGRESSIONAL DISTRIBUTION AND COST
FY 1984 and FY 1985

SURVEY NAME	DISTRIBUTION OF CONGRESSIONAL COPIES			NO. COPIES FOR SCS USE	EST. COST PER COPY
FY 1985	Total Ordered	Personal Use	To SCS		
Lyon County, NV	800	800	0	4,350	$9.90
Sharp County, AR	1,500	1,300	200	4,400	2.90
Shelby, AL	1,450	1,450	0	5,970	4.06
Marion & Ralls, MO	1,005	495	510	5,000	3.56
Fulton, OH	1,500	1,250	250	1,900	6.92
Valley, MT	1,500	1,240	260	2,100	9.58
Seneca, NY	50	50	0	2,000	1.30
Columbia, FL	500	500	0	2,500	6.86
La Fourche, LA	750	3	747	2,050	4.71
San Luis Obispo-Coastal, CA	1,500	1	1,499	3,725	7.60
Copiah, MS	1,500	1,000	500	3,700	3.06
Harmon, OK	1,250	500	750	3,700	4.75
Lee, FL	250	250	0	5,425	4.55
Carroll, TN	1,300	1,300	0	3,425	2.62
Saquache, CO	1,500	2	1,498	1,500	9.66
Platte, MO	1,500	1,005	495	5,500	4.35
Jackson, MO	2,500	1,005	1,495	7,500	3.19
Henry, IL	1,500	100	1,400	5,300	5.65
Centre, PA	1,500	0	1,500	9,100	4.98
Hamilton, NE	1,500	250	1,250	3,825	3.60
Murray, OK	1,500	300	1,200	3,200	4.42
Miner, SD	1,500	750	750	900	9.39
Lawrence, IN	1,500	500	1,000	3,600	5.40
Lee, IL	1,500	20	1,480	5,000	5.41
Ripley & Parts of Jennings, IN	1,500	500	1,000	3,600	5.70
Marin, CA	1,500	251	1,249	3,000	5.89
Northumberland, PA	1,450	200	1,250	12,700	3.61
Bay, FL	300	0	300	4,000	4.21
Osage, KS	1,500	1,000	500	3,300	2.97
Hardin, IA	1,500	270	1,230	2,550	6.38
Klamath, OR	1,500	290	1,210	6,600	3,76
Ottawa, OH	1,500	1,250	250	1,800	4.78
Union, PA	1,450	1,000	450	7,150	3.45
Athens, OH	1,500	260	1,240	2,300	6.51
Montour, PA	1,450	1,000	450	7,500	7.48
Synder, PA	1,450	500	950	4,100	5.04
Rock, NE	1,500	250	1,250	3,825	4.58
Jackson, OH	488	3	485	2,285	5.92
Cass, MO	1,500	5	1,495	3,400	4.39
Coryell, TX	1,500	1,000	500	3,800	3.80

SURVEY NAME FY 1985	DISTRIBUTION OF CONGRESSIONAL COPIES Total Ordered	 Personal Use	 To SCS	NO. COPIES FOR SCS USE	EST. COST PER COPY
Catron, NM	1,301	151	1,150	967	$13.44
Gentry, MO	1,500	2	1,498	3,000	3.68
Garvin, OK	1,050	450	600	3,700	3.92
Anderson & Franklin, KY	555	65	490	2,300	3.50
Lancaster, PA	1,450	200	1,250	10,600	4.53
Jefferson, IN	1,500	1,250	250	3,700	4.25
Christian, MO	1,500	30	1,470	3,000	4.24
Pocohontas, IA	1,500	1,250	250	2,450	4.66
Prince George, VA	1,500	25	1,475	2,425	4.04
Aiken, SC	1,500	850	650	3,600	4.42
Simpson, KY	1,500	60	1,440	900	6.78
James City, VA	1,500	25	1,475	2,925	4.17
Lincoln, KS	1,500	0	1,500	1,300	7.74
Pulaski, VA	1,500	325	1,175	2,425	5.02
Ashe, NC	1,500	260	1,240	1,750	5.82
Redwood, MN	1,500	200	1,300	720	17.03
Green, IA	1,500	250	1,250	1,650	8.02
Morrill, NE	1,500	250	1,250	1,500	6.59
Las Vegas, NV	900	900	0	4,650	6.53
Alachua, FL	500	500	0	5,425	5.20
Spotsylvania, VA	1,500	985	515	1,950	6.29
Roosevelt & Daniels, MT	1,500	100	1,400	2,900	10.20
Morehouse, LA	750	27	723	1,950	7.16
Yakima, WA	1,500	1,000	500	9,350	4.54
Montgomery, VA	1,500	25	1,475	3,175	3.83
Albemarle, VA	1,500	500	1,000	3,425	7.50
TOTALS	87,449	31,530	55,919	249,317	$370.00
Avg.	1,324	477	847	3,777	$ 5.61

SOIL SURVEY PUBLICATIONS
CONGRESSIONAL DISTRIBUTION AND COST
FY 1984 and FY 1985

SURVEY NAME	DISTRIBUTION OF CONGRESSIONAL COPIES			NO. COPIES FOR SCS USE	EST. COST PER COPY
FY 1984	Total Ordered	Personal Use	To SCS		
Washoe, NV	800	800	0	4,900	$11.99
Tishomingo, MS	1,500	250	1,250	3,650	2.12
Greene & Washington, PA	850	350	500	10,600	4.07
Butler & Ripley, MO	1,500	405	1,095	5,000	3.78
St. Johns, FL	500	500	0	4,425	3.61
Bond, IL	1,500	5	1,495	5,800	3.78
Grant, NM	1,275	55	1,220	1,500	8.86
Lincoln, NM	1,166	9	1,157	1,360	9.53
Dallas, IA	1,500	510	990	3,650	4.46
LeFlore, OK	1,500	300	1,200	3,750	5.69
Box Butte, NE	1,500	250	1,250	3,425	5.35
Somerset, PA	1,350	100	1,250	5,200	3.13
Dickinson, IA	1,500	500	1,000	1,650	6.37
Morrow, OR	1,275	25	1,250	3,900	5.34
Laramie, WY	75	75	0	1,150	8.24
Baxter & Marion, AK	1,500	1,060	440	8,625	3.13
Sullivan, NH	1,300	0	1,300	3,750	4.77
Marion, KS	1,500	0	1,500	3,600	3.39
Jessamine & Woodford, KY	1,500	50	1,450	1,600	4.81
Siskiyou, CA	600	100	500	2,725	14.68
Josephine, OR	1,500	80	1,420	2,850	5.81
Dooley & Macon, GA	1,500	0	1,500	3,850	3.76
Douglas, NV	900	900	0	3,850	11.28
Houston, MN	1,500	1,010	490	2,400	7.50
Pennington, MN	1,500	10	1,490	1,650	6.34
Warren, VA	1,500	525	975	2,425	4.62
Grant, WA	2,500	2,000	500	3,350	10.24
Faulk, SD	1,500	0	1,500	960	11.46
Lebanon, PA	2,500	1,900	600	5,800	6.05
Lafayette, Little River and Miller, AR	1,500	500	1,000	9,400	4.87
Madison, MS	1,500	0	1,500	1,900	5.35
Cass, NE	1,500	0	1,500	4,425	3.45
Austin & Waller, TX	2,500	0	2,500	8,050	3.54
Gillian, OR	1,275	25	1,250	2,900	4.14
Story, IA	1,500	300	1,200	2,450	5.13
Essex, MA	1,506	3	1,503	2,000	7.12
Jewell, KS	1,500	0	1,500	3,100	3.49
Fulton & Izard, AR	1,500	1,260	240	6,050	2.40
Madison, NE	1,500	0	1,500	3,925	3.93
Mecosta, MI	250	150	100	3,252	4.47
Sheridan, KS	1,500	0	1,500	2,600	3.16
Carroll, AR	1,500	1,500	0	5,400	3.49
Hardee, FL	500	300	200	4,425	3.44
Defiance, OH	1,450	1,250	200	2,000	6.84

URVEY NAME	DISTRIBUTION OF CONGRESSIONAL COPIES			NO. COPIES FOR SCS USE	EST. COST PER COPY
FY 1984	Total Ordered	Personal Use	To SCS		
Comal & Hays, TX	2,000	0	2,000	7,050	$ 3.96
Audubon, IA	1,500	300	1,200	2,000	5.75
Fairfield - Nephi, UT	2,350	350	2,000	1,950	14.54
Sierra, NM	1,500	200	1,300	1,266	11.32
Waldo, MA	1,500	1,500	0	2,500	4.42
Golden, CO	1,500	20	1,480	1,500	19.19
Wayne, OH	1,500	950	550	2,500	6.60
Monroe, WI	1,500	50	1,450	3,650	5.92
Hertford, NC	1,500	101	1,399	3,700	5.07
Gregory, SD	1,500	0	1,500	1,710	7.63
Mercer & Summers, WV	2,500	1,250	1,250	10,800	3.45
McCone, MT	1,500	152	1,348	2,350	10.55
Kearney, NE	1,500	250	1,250	3,925	3.59
Broward, FL	1,095	1,095	0	4,425	2.73
TOTALS	83,017	23,275	59,742	218,598	$354.80
Avg.	1,431	401	1,030	3,769	$ 6.11

COST TO PRINT AND DISTRIBUTE SOIL SURVEYS

Mr. WHITTEN. What is the cost per copy to print and distribute each survey?

Mr. SCALING. The estimated average cost per copy was $6.11 in FY 1984 and $5.61 in FY 1985.

IMPACT ON NTC CONSOLIDATION ON SOIL SURVEYS

Mr. WHITTEN. By not having regional centers, how much time will this add to processing county soil surveys?

Mr. SCALING. Following a period of several months needed to get a reorganized staff in place, it is anticipated that time required to process individual county soil surveys will be slightly reduced.

SPECIALIZED SOIL SURVEY VEHICLES

Mr. WHITTEN. There currently is a proposal by the Department to transfer additional FY '86 funds to the soil survey program. Part of this increase will be to procure specialized vehicles. Please describe these specialized vehicles and tell us how many and what is the cost of each.

Mr. SCALING. The specialized vehicles are All Terrain Vehicles to be used off-the-road in areas that are inaccessible in pick-up trucks. SCS plans to purchase an additional twenty-five ATVs, costing about $2,500 each.

REASSIGNMENT OF GSA LEASES TO SCS

Mr. WHITTEN. We note in the budget material that $1,022,000 is to be transferred to the conservation technical assistance program from Departmental Administration for leases reassigned to SCS by GSA. Would you please explain the purpose in this reassignment?

Mr. SCALING. Approximately 200 county-level leases were transferred from GSA to SCS on June 1, 1985. This delegation of leasing authority permits SCS to directly negotiate and manage the assigned leases and to make rental payments directly to the lessor rather than through the central SLUC fund. While GSA is very efficient at leasing large, urban buildings, the management of county-level field office leases is more efficiently handled by agency personnel.

BUILDING AUTHORITIES

Mr. WHITTEN. The existing appropriations language for SCS allows for the construction or modification of up to eight buildings. Are there any plans for use of this authority in either 1986 or 1987? Please detail.

Mr. SCALING. We have no plans at this time to utilize these building authorities in either 1986 or 1987.

SNOTEL SYSTEM UPGRADE COSTS

Mr. WHITTEN. The initial cost of the automated data collection system known as SNOTEL was $8.5 million. What is the estimated five year replacement cost expected to be?

Mr. Scaling. The five-year replacement cost will be $5,000,000. We do not propose to replace the entire SNOTEL system in 5 years with the $5,000,000. Some of the system equipment is in satisfactory condition and is not included in the replacement cost estimate. I will provide for the record a table summarizing the system upgrade costs.

[The information follows:]

Item	5-year cost	1st year cost
Remote site equipment and installation	$4,526,000	$960,000
Master station equipment and installation in Ogden, UT and Boise, ID	147,000	40,000
Equipment for centralized data collection and forecasting system in Portland, OR	327,000	0
Total	5,000,000	1,000,000

NATIONAL RESOURCES INVENTORIES

Mr. Whitten. What was the cost of the 1982 National Resource Inventory (NRI).

Mr. Scaling. The 1982 NRI used funds that were appropriated for this and other inventory activities in fiscal years 1980, 1981, and 1982. About 45 million dollars of inventory and monitoring funds were used during the 3-year period to plan the inventory, train employees, collect and analyze field data, and provide information to a multitude of users. Numerous state and local governments also provided additional funds to collect other data needed to better address local resources issues.

Mr. Whitten. Will the data from the NRI deteriorate in usefulness with time or will it stay pretty constant?

Mr. Scaling. The data from the 1982 NRI will continue to be a useful data source for resource information representing the resource conditions that existed in 1982. However, this data base will need to be updated over time so that changes in resource conditions, improvements in technology, and the need to address new resource issues will reflect present conditions. Congress, recognizing the need to keep the status, condition and trends information of the nation's soil water and related resources current, enacted legislation mandating a monitoring and periodic updating of the data base. The comprehensive data base established through the 1982 NRI effort will be extremely valuable as a benchmark for trending purposes as conditions are monitored in future years.

CONSOLIDATION OF NATIONAL TECHNICAL CENTERS

Mr. Whitten. Early this year you proposed to consolidate the four National Technical Centers of the Soil Conservation Service into a single center in Fort Worth, Texas. Please provide us the details of this move. How much will be spent to move, terminate employees, terminate space and equipment contracts, etc.?

Mr. Scaling. The plans to consolidate the National Technical Centers are not yet complete. Preliminary estimates of the one-time costs to implement this consolidation are $238,000 to move and set up office equipment, $744,000 to termination employees, and $4.4 million to relocate employees. This is a total of $5.4 million in one-time costs which will be offset by an estimated savings in operating costs of $2.9 million annually.

Mr. **Whitten**. Please provide us a copy of the agency study that was done that reflects the decision to close the centers at Lincoln, Nebraska; Portland, Oregon; and Chester, Pennsylvania.

Mr. **Scaling**. The study which started the process to consolidate our support activities and established Fort Worth as the appropriate location for a single center was made in 1980 and 1981. At that time, the decision was made to consolidate three major functions, cartographic services, employee development, and information services. The study is summarized in a memorandum dated October 19, 1981, directed to the Department's Director of Personnel. A copy is provided for the record. Our current decision to consolidate the remaining functions is based on that initiative. Our first priority is to maintain a solid base of well-trained field personnel to assist landusers with conservation problems. We believe our technical support to that base can be accomplished the most efficiently and at the least cost from a central center. As I outlined in my response to your previous question, we can recover the up-front cost of the consolidation in less than two years. After that we will show a net saving of nearly three million dollars per year.

[Clerk's note. A summary of the study follows:]

United States
Department of
Agriculture

Soil
Conservation
Service

P.O. Box 2890
Washington, D.C.
20013

Subject: PERS - Proposed Organizational and Geographic Changes in the Soil Conservation Service

Date: OCTOBER 19, 1981

To: John W. Fossum, Director of Personnel
Office of Personnel

Through: John B. Crowell, Jr., Assistant Secretary
for Natural Resources and Environment

Enclosed for your review and approval are the following documents reflecting several proposed organizational and geographic changes in the Soil Conservation Service:

1. Revised organization chart,
2. Revised functional statements, and
3. Revised staffing plan.

These changes are being proposed so that we can maintain a maximum number of employees at the field office level. These are the employees who work directly with farmers and ranchers in planning and application of soil and water conservation measures that reduce soil erosion and upstream flood damages. It is our goal to increase the proportion of total SCS work force from the present 70 percent to 75 percent by 1985. During the past decade, a period when overall SCS employment decreased substantially, the proportion of personnel assigned to State, Technical Service Center, and National Office levels has increased. The achievement of our goal will require reductions in position ceilings at the State Office levels and above. It will include all types and grades of employees.

The organization plan shows a reduction from 1,296 budgeted positions at the National Headquarters and National Technical Center level in fiscal year 1981 to 1,136 budgeted positions for fiscal year 1982. Based on our current personnel ceiling of 14,809 staff years, the number of positions will be further reduced to 1,006 positions by 1985. The reduced staffing levels beyond fiscal year 1982 are not being submitted in this proposal since they will not become effective until later. This reduction can be accomplished by redefining the relationship between the National Headquarters and the National Technical Centers which more clearly makes the centers an extension of the National Headquarters. This will require adjustments in the way we develop annual plans of operation, schedules, pursue staffing, and will require changes in existing delegations of authority from the National Headquarters.

This reorganization proposal calls for the consolidation of some of our activities in order to achieve the reductions and efficiencies needed. The greatest impact will involve our Cartographic, Employee Development, and Information staffs presently located at Broomall, Pennsylvania, Lanham, Maryland, Portland, Oregon, and Lincoln, Nebraska. We are proposing the relocation and consolidation of all these staffs at Fort Worth, Texas. It could result in the displacement of some employees who do not choose to relocate to Fort Worth.

1. The Equal Opportunity and Civil Rights staff will be renamed the Equal Opportunity staff and moved organizationally from the Chief's immediate staff and placed under the Deputy Chief for Administration.

We believe it is appropriate for the Equal Opportunity function to be placed under the Deputy Chief for Administration because almost all of its activities are administrative in nature. Many of the activities performed are also of a personnel nature. This alignment will permit improved coordination of equal employment and personnel activities and should be beneficial to both programs. It will reduce the span of control exercised by the Chief, thus allowing more time to plan and direct the overall activities of the agency.

2. The Environmental Coordinator will be moved from the Chief's immediate staff and placed in the Ecological Sciences staff under the Deputy Chief for Technology Development and Application.

Incorporation of this activity into the Ecological Sciences staff will place it on the staff which has primary responsibility for the agency's involvement in environmental activities. It will provide greater consistency in carrying out the Soil Conservation Service's total environmental responsibility.

3. Consolidation of the Cartographic staffs currently located at Lanham, Maryland, Lincoln, Nebraska, Portland, Oregon, and Fort Worth, Texas, and the Employee Development and Information staffs currently located at Broomall, Pennsylvania, Lincoln, Nebraska, Portland, Oregon, and Fort Worth, Texas, into one Cartographic staff, one Employee Development staff, and one Information staff, each to be located at Fort Worth, Texas.

Consolidation of the Cartographic staffs will (1) permit a reduction in administrative expenses; (2) permit better utilization of equipment, including long range savings on equipment procurement; (3) reduce space requirements; (4) eliminate duplication of functions; (5) permit consistency in agency methods and standardization of output products; (6) provide improved quality control; (7) improve technical exchange; and (8) improve contract capabilities with the private sector. There will be a reduction of 94 positions and an annual savings of $3,800,307. The positions reduced by this consolidation will be assigned to field office locations where they will be used to directly serve farmers and ranchers in the planning and application of conservation measures.

During the transition period it is recognized that some program accomplishments will be below normal. This can be held to a minimum, however, through careful planning of cartographic services needed during the transition period. After the transition period, the Cartographic staff will operate without duplication of effort and the level of accomplishment will be at or above preconsolidation levels.

Consolidation of the Employee Development staff will facilitate a planned adjustment in the Agency's training program. Major initiatives will focus on (1) achieving consistency of training and development activities throughout the Soil Conservation Service; (2) providing optimum delegation of training activities; (3) achieving a reduction in staff; (4) improving the responsiveness of the training delivery system; (5) providing a cost-effective service; and (6) insuring relevance of staff operation to achieving conservation on the land.

These initiatives will be achieved through the use of alternatives to traditional training methods. Agency conducted training and development sessions will continue to be used. More emphasis will be placed on (1) self development, job aids, and on-the-job training; home study courses, continuing education concepts and systems, packaged training delivery systems, use of consultants, and interagency cooperation; (2) utilization of a range of options available through current technology; (3) strengthened Agency training standards; (4) increased delegation to states; and (5) better use of individual development plans.

Accomplishment of these objectives and program changes can best be achieved through a consolidated staff. With a centrally located group, the program will be easier to manage and training will be consistent throughout the Agency. This consolidation will result in a reduction of 5 positions at an annual savings of $158,037. The positions will be used to increase employment at the field office level.

Consolidation of Public Information activities will affect information accomplishments as follows: (1) virtual elimination of duplication of effort among state public information people in planning and carrying out media events, campaigns, and publishing state brochures; (2) more attractive, more readable, and better targeted publications; (3) greater consistency in technical information and policy guidance for state information personnel; (4) increased output of slide presentations, photos, radio public service announcements, and similar materials; (5) better and faster response to requests from national headquarters and states for photographs for shows, publications, and exhibits; (6) improvements in performance of state information personnel through improved training; (7) better instructional materials to train SCS employees through use of video taped training aids; (8) improved communications among state public information personnel; (9) greater coordination of effort in responding to multistate droughts, floods, and similar situations, and (10) more cost effective approach to working with teacher training institutions on environmental education projects. This will result in a reduction of 3 positions at an annual savings of $86,418. These positions will be used to increase employment at the field office level of the organization.

The following charts show the anticipated one-time and continuing costs for the consolidated staffs and compare them to current costs:

ESTIMATED ANNUAL OPERATING COSTS FOR CONSOLIDATED CARTOGRAPHIC, INFORMATION AND EMPLOYEE DEVELOPMENT STAFFS

	Current Cost 4 Sites	Consolidated Cost if at Lanham	Consolidated Cost if at Ft. Worth	Consolidated Cost if at Lincoln	Consolidated Cost if at Portland
Space (rent)	$ 1,263,239	$ 682,565	$ 415,442	$ 667,145	$ 480,721
Amortization of Startup Costs	0	671,739	708,578	709,959	875,314
Personnel Costs (salaries)	6,946,220	4,586,852	4,586,852	4,586,452	4,586,852
Travel	236,950	371,113	276,950	303,814	470,815
Printing & Photo Reproduction	130,000	453,000	453,000	453,000	453,000
Misc. Services	210,000	210,000	210,000	210,000	210,000
Supplies	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Equipment	600,000	600,000	600,000	600,000	600,000
TOTAL	$10,886,409	$ 9.075,269	$ 8,750,822	$ 9,030,370	$ 9,176,702

1/ amortization rate 13% for 10 years (.18429)

ONE TIME COSTS OF CONSOLIDATION

	1/ Personnel	Facility Start Up (Space Renovation)	Equipment	Total
if located at Lanham	$2,703,846	$ 591,164	$ 350,000	$ 3,645,010
if located at Ft. Worth	2,472,728	1,022,181	350,000	3,844,909
if located at Lincoln	2,560,826	941,575	350,000	3,852,401
if located at Portland	3,228,056	1,171,598	350,000	4,749,654

1/ Includes relocation cost, retirement cost, and severance pay cost. Because it is unknown how many employees will actually relocate estimates were made based on the assumption that enough employees would move to fully staff the consolidated unit. In all probability a lesser number than estimated will relocate and a greater number will receive severance pay or retire. Since relocation represents the higher cost alternative the personnel costs shown are believed to be the maximum possible and in reality will probably be lower.

In addition to the annual savings in operating costs of over 2.1 million dollars, space requirements will be reduced by more than 85,000 square feet, from 146,000 square feet to 61,000 square feet.

Fort Worth was selected as the best location for the consolidated units for a number of reasons. As shown on the preceeding charts, the annual operating costs are expected to be significantly lower than they would be if consolidation occurred at one of the other National Technical Center locations. This is due for the most part to the difference in space rental cost at Fort Worth. The average standard level users charge (SLUC) for all classes of space needed would be $5.95 per square foot at Fort Worth compared to $9.77 per square foot at Lanham, $9.55 per square foot at Lincoln, and $6.88 per square foot at Portland. Preliminary surveys have indicated that suitable space can be acquired at Fort Worth.

The availability of a full and part-time work force in the Dallas/Fort Worth area is adequate to provide continual staffing for the consolidated units. There are a number of colleges and junior colleges in the area offering the desired professional and technical curriculum. Airline and postal services are more than adequate to meet the needs of the consolidated units. There are 22 airlines currently serving the area providing daily service to all Soil Conservation Service state office locations. Because of its central location, Dallas/Fort Worth is no more than 3 hours and 45 minutes flying time from any major U.S. city.

The Dallas/Fort Worth area offers employees a very attractive place to live. In terms of cost of living, the area ranks among the most favorable of major American cities according to surveys conducted by the American Chamber of Commerce Researchers Association. Housing is both available and affordable with home prices averaging below those in most large metropolitan areas. Rental housing is also readily available and rental rates are reasonable. According to the Fort Worth Apartment Association, quality garden type apartments rent as follows:

1 bedroom	$276 - Dallas	$252 - Fort Worth
2 bedroom	$316 - Dallas	$310 - Fort Worth
3 bedroom	$375 - Dallas	$355 - Fort Worth

The schools in the county have a student-teacher ratio of only 19:1 and are more than adequate to absorb the additional students that would relocate to the area as a result of consolidation.

Medical facilities in the area are extensive. There are 30 well staffed hospital facilities located throughout the central cities and suburban areas.

The proposed consolidation will not have an adverse impact on Title VI, Delivery of Services, since the services performed by these units provide other Agency units with technical support.

The proposed consolidation will have an impact upon internal minority and female employment. Where possible, employees will be offered the opportunity to accompany their function to Fort Worth. We are unable to predict which employees will elect to transfer to the new location. It is likely that some minorities and women will be unable to transfer and will have their employment terminated. These employees will be eligible for compensation in the form of either severance pay or discontinued service annuity. They will be eligible for priority placement consideration for other Federal jobs in the commuting area.

There will be no adverse impact on minority and female employees presently located at the South Technical Service Center at Fort Worth. Only those minority and female employees currently headquartered at the Northeast, Midwest, and West Technical Service Centers will be affected.

The equal employment opportunity profiles of permanent full-time employees in the affected units are as follows:

	Minorities			
	Male	Female	Female	Total
Midwest TSC				
Employment Development	0	0	2	5
Information	0	1	2	4
Cartographic	2	3	16	62
	2	4	20	71
Total	6			
Percentage	8%		28%	
South TSC				
Employment Development	0	0	1	4
Information	0	0	1	4
Cartographic	19	7	28	74
	19	7		
Total	26		30	82
Percentage	32%		37%	
Northeast TSC				
Employee Development	0	0	1	2
Information	1	0	1	3
Cartographic	17	3	27	75
	18	3		
Total	21		29	80
Percentage	26%		36%	

	Minorities			
West TSC	Male	Female	Female	Total
Employee Development	1	0	1	4
Information	0	0	1	2
Cartographic	3	0	9	51
	4	0		
Total	4		11	57
Percentage	7%		19%	

Composite of TSC's				
MWTSC	2	4	20	71
STSC	19	7	30	82
NETSC	18	3	29	80
WTSC	4	0	11	57
	43	14		
Totals	57		90	290
Percentage	19.6%		31%	

The proposed plan calls for a total of 225 employees in these units after consolidation. Assuming that all the minorities and women affected accept the transfer, the profile will then be as follows:

	Minorities			
	Male	Female	Female	Total
Employee Development	1	0	5	12
Information	1	1	5	13
Cartographic	42	13	80	200
Totals	44	14		225
	58		90	
	25.8%		40%	

If none of these employees accept the offer to move, the minority profile in these units will be as follows:

	Male Minorities	Female Minorities	Female	Total
Employee Development	0	0	0	12
Information	0	0	1	13
Cartographic	11	7	29	200
	18		30	225
	8%		3.3%	

The Soil Conservation Service will develop goals for employment and women to minimize the impact on employment when the reorganization is in place. According to 1980 census data, minority population in the Dallas/Fort Worth Standard Metropolitan Statistical Area is 23.5 percent. In establishing goals to increase minority and women employment, the South National Technical Center will increase such employment by 2 percent each year until the work force is representative of the local population.

We have had contact with the following individuals or their representatives regarding this reorganization proposal:

Senator Edward Zorinsky of Nebraska
Senator John J. Exon, Jr. of Nebraska
Representative Douglas K. Bereuter of Nebraska
Representative Hal Daub of Nebraska
Representative Virginia Smith of Nebraska
Senator Charles McC. Mathias of Maryland
Senator Paul S. Sarbanes of Maryland
Representative Steny H. Hoyer of Maryland
Representative Marjorie S. Holt of Maryland
Representative Beverly B. Byron of Maryland
Senator Mark O. Hatfield of Oregon
Senator Bob Packwood of Oregon
Governor Charles Thone of Nebraska
Honorable Helen Boosalis, Mayor of Lincoln, Nebraska
Mr. Duane Vicary, Executive Vice President, Chamber of Commerce, Lincoln, Nebraska
Mr. Donald G. Weinert, Executive Director, National Society of Professional Engineers
Mr. J. L. Butt, Executive Vice President, American Society of Agricultural Engineers

In addition, we have furnished the General Accounting Office information regarding this proposal.

One-time and continuing costs will be budgeted in the fiscal year in which they occur. Existing budgets of the affected organizational units will be adjusted to reflect reduced operations and such savings will be applied to one-time costs. Continuing costs of operations are estimated to decrease $2 million annually. Estimated one-time cost of $3.8 million represents less than one percent of the Agency's budget. These costs can be handled on an Agency wide basis without major disruption of any activity. Sufficient funds are available to finance the reorganization on a full year basis.

The Department policy on Delegation of Authority is not a factor in this reorganization. The changes outlined in this proposal will have no effect on the regional structure of the Soil Conservation Service which conforms to the Standard Federal Regional boundaries.

While the Northeast National Technical Center is located in Broomall, Pennsylvania, the Cartographic staff of this center is headquartered at Lanham, Maryland. The consolidation would, therefore, result in 85 positions being located out of the National Capitol area. The Cartographic staff meets all criteria set forth in Office of Management and Budget Circular A-60 for determining Agency activities that are susceptible to location outside the National Capitol region. Further, it meets none of the criteria set forth for determining Agency activities not susceptible to location outside the National Capitol area.

The reorganization plan can be implemented without an increase in the Agency's total personnel ceiling. The current average grade level for the National Headquarters and National Technical Centers is 9.65. Under the reorganization, the average grade level will be 9.83.

The reorganization will reduce operational constraints through increased delegations of authority below the National Headquarters level. Staffing changes will be processed through appropriate channels on an individual basis when implementing the plan. In implementing the consolidation of Cartographic, Employee Development, and the Public Information activities, it may be necessary to use reduction-in-force procedures to ensure a viable staff. We believe, however, that quite a number of employees will not elect to relocate. Wherever possible, employees will be offered jobs at the relocated site.

In summary, this proposed reorganization will reduce permanent full-time employment by 160 positions and effect an annual salary savings of $4.5 million. As staffing is further reduced to reach our goal of 75 percent of the Agency work force at the field office level, an additional 130 positions would be eliminated at an estimated annual savings of $3 million. Thus the total reduction, when fully implemented, will be a reduction of about 290 positions at the National Headquarters and National Technical Center levels at an estimated annual salary savings of approximately $7 million.

These changes have been given considerable thought and study within the Soil Conservation Service. We feel they are in line with the President's directions for achieving a leaner, more effective government. We would be pleased to provide any additional information which may be necessary and to discuss it personally if desired. Your early approval will be appreciated.

/s/ NORMAN A BERG

NORMAN A. BERG
CHIEF

Enclosures

CONSERVATION OPERATIONS-OBJECT CLASS SCHEDULES

Mr. WHITTEN. Please provide an object class breakdown for the seven project areas of the conservation operations program.

[The information follows:]

CONSERVATION OPERATIONS - Object Class Schedule by Program
FY 1987 Budget Estimate
(Dollars in thousands)

Object class	TECHNICAL ASSISTANCE FY 1985	FY 1986	FY 1987	INVENTORY AND MONITORING FY 1985	FY 1986	FY 1987	SOIL SURVEYS FY 1985	FY 1986	FY 1987
Personnel compensation:									
11.1 Full-time perm......	$193,119	$195,336	$195,336	$8,582	$7,260	$3,159	$35,159	$36,911	$35,488
11.3 Other than FTP......	4,985	5,041	5,041	272	275	104	1,160	1,170	1,170
11.5 Other pers. comp....	1,176	1,190	1,190	44	44	11	204	206	206
11.8 Sp. pers.svs. pymts.	0	0	0	0	0	0	0	0	0
11.9 Total pers. comp....	199,280	201,567	201,567	8,898	7,579	3,274	36,523	38,287	36,864
12.1 Personnel benefits..	29,770	30,112	30,112	1,219	1,038	308	5,387	5,632	5,437
13.0 Ben. former pers....	281	282	282	12	12	3,929	73	73	73
21.0 Travel.............	5,663	5,680	5,919	430	382	268	1,562	1,630	1,628
22.0 Transportation......	2,288	2,294	2,391	33	35	21	443	443	461
23.2 Rental pymts. others	7,717	9,101	9,440	254	265	158	1,059	1,106	1,153
23.3 Comm, util, & misc..	11,005	11,521	12,005	361	379	226	1,509	1,577	1,643
24.0 Printing & repro....	1,263	1,266	1,320	107	112	67	1,442	1,442	1,502
25.0 Other services......	7,931	7,805	8,966	1,862	1,862	1,296	2,272	3,571	2,710
26.0 Supplies & materials	6,788	6,807	7,092	227	238	142	1,574	1,574	1,640
31.0 Equipment..........	10,905	6,591	6,868	1,140	418	0	2,933	2,642	2,245
32.0 Lands & structures..	0	0	0	0	0	0	0	0	0
41.0 Grants.............	0	0	0	0	0	0	0	0	0
42.0 Insurance claims....	68	71	74	0	0	0	4	4	4
Total Direct Obligations.	$282,959	283,097	285,036	14,543	12,320	9,689	54,781	57,981	55,360

CONSERVATION OPERATIONS - Object Class Schedule by Program (continued)
FY 1987 Budget Estimate
(Dollars in thousands)

Object class	SNOW SURVEY FY 1985	SNOW SURVEY FY 1986	SNOW SURVEY FY 1987	PLANT MATERIALS CENTERS FY 1985	PLANT MATERIALS CENTERS FY 1986	PLANT MATERIALS CENTERS FY 1987	RESOURCE APPRAISAL/PROG. DEV. FY 1985	RESOURCE APPRAISAL/PROG. DEV. FY 1986	RESOURCE APPRAISAL/PROG. DEV. FY 1987
Personnel compensation:									
11.1 Full-time perm......	1,862	1,878	1,878	1,959	1,976	1,976	1,280	1,291	471
11.3 Other than FTP......	101	102	102	391	394	394	18	18	0
11.5 Other pers. comp....	42	42	42	24	24	24	15	15	4
11.8 Sp. pers.svs. pymts.	0	0	0	0	0	0	0	0	0
11.9 Total pers. comp....	2,005	2,022	2,022	2,374	2,394	2,394	1,313	1,324	475
12.1 Personnel benefits..	320	323	323	345	348	348	178	180	44
13.0 Ben. former pers....	3	3	3	3	3	3	4	4	565
21.0 Travel..............	198	207	216	71	74	77	61	64	29
22.0 Transportation......	56	58	60	21	22	23	14	15	7
23.2 Rental pymts. others	101	106	111	109	114	119	12	13	6
24.0 Printing & repro....	63	66	69	7	7	7	4	4	2
25.0 Other services......	594	596	644	585	587	637	2,578	1,239	584
26.0 Supplies & materials	192	200	208	234	244	254	19	20	9
31.0 Equipment...........	362	293	1,305	231	161	170	113	118	0
32.0 Lands & structures..	0	0	0	30	31	32	0	0	0
41.0 Grants..............	0	0	0	0	0	0	0	0	0
42.0 Insurance claims....	1	1	1	0	0	0	0	0	0
Total direct obligations.	3,966	3,949	5,039	4,087	4,065	4,147	4,305	2,990	1,725

CONSERVATION OPERATIONS - Object Class Schedule by Program (continued)
FY 1987 Budget Estimate
(Dollars in thousands)

	RURAL CLEAN WATER PROGRAM			*	TOTAL, CONSERVATION OPERATIONS		
	FY 1985	FY 1986	FY 1987	*	FY 1985	FY 1986	FY 1987
Personnel compensation:				*			
11.1 Full-time perm......	40	41	0	*	242,001	244,693	238,308
11.3 Other than FTP......	0	0	0	*	6,927	7,000	6,811
11.5 Other pers. comp....	0	0	0	*	1,505	1,521	1,477
11.8 Sp. pers.svs. pymts.	0	0	0	*	0	0	0
11.9 Total pers. comp....	40	41	0	*	250,433	253,214	246,596
12.1 Personnel benefits..	4	4	0	*	37,223	37,637	36,572
13.0 Ben. former pers....	0	0	0	*	376	377	4,855
21.0 Travel..............	17	0	0	*	8,002	8,037	8,137
22.0 Transportation......	0	0	0	*	2,855	2,867	2,963
23.2 Rental pymts. others	0	0	0	*	9,185	10,636	10,916
23.3 Comm, util, & misc..	0	0	0	*	13,099	13,709	14,109
24.0 Printing & repro....	0	0	0	*	2,886	2,897	2,967
25.0 Other services......	17	176	0	*	15,839	15,836	14,837
26.0 Supplies & materials	1	0	0	*	9,035	9,083	9,345
31.0 Equipment...........	113	0	0	*	15,797	10,223	10,588
32.0 Lands & structures..	0	0	0	*	30	31	32
41.0 Grants..............	0	0	0	*	0	0	0
42.0 Insurance claims....	0	0	0	*	73	76	79
Total direct obligations.	192	221	0	*	364,833	364,623	361,996

REPORTS REQUIRED FOR CONGRESS

Mr. WHITTEN. Please list for the record all reports that you are required to submit to Congress.

[The information follows:]

(1) The Watershed Protection and Flood Prevention Act, Public Law 83-566, requires all watershed plans involving more than $5 million Federal contribution or more than 2,500 acre feet in capacity in any one structure to be submitted to the appropriation committees of Congress before Federal funds can be used to implement the plan.

(2) The Soil and Water Resources Conservation Act, Public Law 92-192, as amended by the Food Security Act of 1985, Public Law 99-198, requires the President to submit the appraisal developed under Section 5 of the Act and completed prior to the end of the previous year to Congress in January of 1980, 1987, 1996, and 2006. A report on the initial program or updated program developed under section 6 and completed prior to the end of the previous year shall be submitted to Congress at the time it convenes in 1980, 1988, 1998, and 2008 together with a detailed statement of policy. Finally, the Act requires a report to Congress with each budget which evaluates the program's effectiveness in attaining the purposes of the Act.

(3) The Agriculture and Food Act of 1981, Public Law 97-98 requires several reports if the various programs are implemented:

(a) Special Areas Conservation Program. The Secretary is required to submit an initial study report on each special area program to the agriculture committees.

The Secretary is to report to Congress on the operation of the Special Areas Conservation Program by January 1, 1986.

(b) Matching Grants for Conservation Activities. The Secretary shall report to the agriculture committees of Congress on the progress of this program by January 1, 1986, and again January 1, 1991.

(c) Reservoir Sedimentation Reduction Program. The Secretary is to send a report to Congress evaluating the program by January 1, 1987.

(d) Resource Conservation and Development Program. The Secretary is to evaluate the program and send a report to Congress by December 31, 1986.

(e) Farm and Protection Policy Act. The Secretary is to report to the Agriculture committees on the progress made in implementing the Act within one year of enactment (December 1982).

(4) The Food Security Act of 1985, Public Law 99-198 requires the Secretary to submit a report evaluating the plans and technical assistance authorized in subsection (a) to the House Committee on Agriculture and the Senate Committee on Agriculture, Nutrition, and Forestry by February 15, 1987.

Mr. WHITTEN. What are the estimated costs of preparing each of these reports?

[The information follows:]

(1) Watershed Protection and Flood Prevention Act, Public Law 83-566: Watershed plans take, on the average, about 4 years to complete at an average total cost of $550,000. Currently, we estimate that about 15 to 20 percent of our watershed plans fall into the category requiring congressional authorization, but as inflation increases the cost of project installation, this percentage will increase.

(2) Soil and Water Resources Conservation Act, Public Law 95-192: A total of $43.5 million has been appropriated through fiscal year 1986 to carry out all the requirements of the Resources Conservation Act of 1977. This includes $2 million in grants to State agencies and conservation districts to support appraisal and program development activities called for in the Act. This also includes all the public participation, data analysis, program evaluations, pilot projects and special studies and other activities that are being carried out to fulfill all the requirements of the Act and to produce the required reports. Actual printing costs associated with the preparation of these reports to date is estimated at about $500,000.

(3) Agriculture and Food Act of 1981, Public Law 97-98: Most of the reports called for under the Agriculture and Food Act of 1981 are required in future years if the various programs are implemented. Therefore, the only costs that have been incurred to date are $800 for the preparation of the one-time progress report on implementation of the Farmland Protection Policy Act prepared in fiscal year 1983. The required report was sent by the Department to the House and Senate Agriculture Committees on June 24, 1983.

Mr. **Whitten**. Which of them are new or expanded reports required by the Food Security Act of 1985?

Mr. **Scaling**. Changes made to the Soil and Water Resources Conservation Act, PL 95-192 and the new report evaluating the plans and technical assistance authorized in subsection (a) of the Food Security Act of 1985 are required by the Food Security Act of 1985.

TERMINATION OF THE GREAT PLAINS CONSERVATION PROGRAM

Mr. **Whitten**. A press release issued by the Department on March 21, 1985, stated that wind erosion in the 10 State area covered by the Great Plains Conservation Program was highest for that time period any time since 1981. Yet, with this serious problem, the budget proposes to rescind $6 million and terminate the Great Plains Conservation Program in fiscal year 1986. Do you think this is showing wise and proper commitment by the Administration for environmental and conservation issues?

Mr. **Scaling**. The Administration is commited to the need for a continuing Federal role in the conservation of our valuable soil and water resources. Even though we would propose to discontinue the use of long-term contracting and cost-sharing under the authority of the Great Plains Conservation Program, we will be able to continue to address the wind erosion problems characteristic of this geographical area through our ongoing technical assistance program. In addition, the Conservation Reserve program provides cost-sharing and annual rental payments to convert the most highly erosive lands to permanent vegetative cover. This will include some of the same lands which would have otherwise been covered under the Great Plains Conservation Program.

SOIL CONSERVATION SERVICE BUDGET REQUEST

Mr. **Whitten**. What was the agency's budget request for each of its programs to the Department and to OMB?

Mr. **Scaling**. We will provide that information for the record.

[The information follows:]

SOIL CONSERVATION SERVICE, FISCAL YEAR 1987 APPROPRIATION HISTORY

[In thousands of dollars]

	Fiscal year 1986 current estimate [1]	Fiscal 1987 [2]		
		Agency request	Department allowance	OMB allowance
Conservation operations:				
Conservation technical assistance	270,859	286,036	286,036	286,036
Inventory and monitoring	11,696	0	0	9,689
Soil surveys	55,638	55,360	55,360	55,360
Snow survey and water forecasting	3,780	5,039	5,039	5,039
Plant materials centers	3,890	4,147	4,147	4,147
Resource appraisal and program development	3,806	0	0	1,725
Resources inventory and analysis	0	10,000	10,000	0
Nonrecurring management investments	0	18,500	18,500	0
Total, conservation operations	348,669	379,082	379,082	361,996
River basin surveys and investigations	14,180	14,906	9,472	9,472
Watershed planning	8,487	8,922	0	6,480

SOIL CONSERVATION SERVICE, FISCAL YEAR 1987 APPROPRIATION HISTORY—Continued

[In thousands of dollars]

	Fiscal year 1986 current estimate [1]	Fiscal 1987 [2]		
		Agency request	Department allowance	OMB allowance
Watershed and flood prevention operations:				
Flood prevention operations—Public Law 534	33,881	22,110	0	12,400
Emergency watershed protection	43,032	5,000	0	1,106
Small watershed operations—Public Law 566	143,859	143,233	0	54,272
Total, watershed and flood prev. oper	220,772	170,343	0	67,778
Watershed planning and construction (consolidated account)	0	0	150,000	0
Great plains conservation program	20,482	21,531	10,568	0
Resource conservation and development	25,037	26,320	11,400	11,400
Subtotal, Soil Conservation Service	637,627	621,104	560,522	457,126
Rural abandoned mine program	(9,019)	(4,900)	(4,900)	(800)
Trust funds	431	700	560	560
Total, Soil Conservation Service	638,058	621,804	561,082	457,686

[1] Net of 4.3 percent Gramm-Rudman-Hollings reduction.

[2] Adjusted to reflect transfer of GSA leases to SCS.

1987 CURRENT SERVICES ESTIMATES FOR PROGRAMS

Mr. WHITTEN. Would you please provide fiscal year 1987 current services estimates for all those programs proposed for reduction or elimination?

[The information follows:]

SOIL CONSERVATION SERVICE, CURRENT SERVICES ESTIMATES (BUDGET AUTHORITY)

Program	Fiscal year 1987		
	Current services enacted	Reduction Gramm-Rudman	Revised current services
Conservation operations	367,286	−15,748	351,538
River basin surveys and investigations	14,965	−644	14,321
Watershed planning	8,944	−385	8,559
Watershed and flood prevention	[1] 237,867	−10,305	227,562
Great Plains conservation program	21,978	−945	21,033
Resource conservation and development	26,711	−1,170	25,541
Total, Soil Conservation Service	677,751	−29,197	648,554

[1] Includes supplemental for emergency measures.

RIVER BASIN SURVEYS AND INVESTIGATIONS PROGRAM

Mr. WHITTEN. In fiscal year 1985, how many requests from local sponsors did you receive for river basin surveys and investigations assistance? Please list this for the record.

Mr. SCALING. In fiscal year 1985 eleven requests were received for coordinated river basin studies. All of these requests were given new starts for fiscal year 1986. The list of requests will be provided for the record.

[The information follows:]

Study name	*State*
Coastal Sussex Coast	DE
Watershed Protection	GA
Raft River	ID
Hydrologic Unit	IL
KS Erosion and Sediment, NE	KS
Grand River, Three Forks (IA)	MO
Broad River—Catawba River	NC
Des Lacas—Souris River	ND
Big Cove and Laural Hill	PA
Piedmont Study, West	SC
Groundwater Protection	WI

WATERSHED PLANNING PROGRAM

Mr. WHITTEN. How many viable applications for watershed planning assistance do you currently have? Please provide a list of the applications either available for planning or in the planning stage.

Mr. SCALING. Currently, there are 2,328 viable watershed planning applications in our office. Of these applications, planning has been completed for 1,364, planning has been suspended or terminated for 477 and, presently, 129 are in planning and 358 are available for planning. A list of the projects presently in planning and those available for planning will be provided for the record.

[The information follows:]

PL566 WATERSHEDS IN APPLICATION STAGE

STATE	NAME
ALABAMA	ABBIE-OMUSSEE CREEK
ALABAMA	LITTLE CATOMA CREEK
ALABAMA	MEMPHIS-NOXUBEE WATERSHED
ALABAMA	POND CREEK
ARKANSAS	BEAVER DAM
ARKANSAS	BLACK CREEK (MO)
ARKANSAS	BOYDSVILLE WATERSHED
ARKANSAS	CYPRESS DITCH
ARKANSAS	DE PARTEE CREEK
ARKANSAS	DUCK CREEK WATERSHED
ARKANSAS	DUNN CREEK WATERSHED
ARKANSAS	HARDING CREEK
ARKANSAS	LOWER CANEY BAYOU
ARKANSAS	MCKINNEY BAYOU
ARKANSAS	WHIG CREEK-FLAGG LAKE
ARKANSAS	YELLVILLE
ARKANSAS	YOCONA-SPYBUCK
ARIZONA	BLACK DIAMOND PEAK
ARIZONA	GRANITE CREEK
ARIZONA	PICACHO
ARIZONA	SALOME-WENDEN
ARIZONA	SAN JOSE CANAL
ARIZONA	TONAPAH
ARIZONA	WEST BRANCH SANTA CRUZ RIVER
CALIFORNIA	BEAN CREEK
CALIFORNIA	BIG SPRINGS
CALIFORNIA	DRY CREEK-SCHMIDT CREEK
CALIFORNIA	FORBES CREEK
CALIFORNIA	FRAZIER-STRATHMORE
CALIFORNIA	LAGUNA IRRIGATION WATER MGT. PROJECT
CALIFORNIA	LAS TRAMPAS CREEK
CALIFORNIA	LOWER CALLEGUAS CREEK & TRIBUTARIES
CALIFORNIA	PANOCHE-BROADVIEW-GRASSLANDS
CALIFORNIA	POTTER CREEK
CALIFORNIA	UPPER STONY CREEK
COLORADO	SPRING CREEK
COLORADO	TONGUE CREEK
FLORIDA	EAST BEACH WATER CONTROL DISTRICT
FLORIDA	RUSS MILL CREEK
FLORIDA	UPPER SHOAL RIVER
HAWAII	GLENWOOD/MOUNTAIN VIEW FLOOD CNTL PROJ
HAWAII	KILAUEA WATER MANAGEMENT
IOWA	ALLEN-STEER CREEK
IOWA	BUFFALO GROVE
IOWA	C.B.S.
IOWA	CEDAR CREEK
IOWA	COBB CREEK
IOWA	CYLINDER CREEK

IOWA	ELK CREEK
IOWA	GERMAN CREEK
IOWA	HONEYCOMB
IOWA	JAMES
IOWA	LONG CREEK
IOWA	LOST NATION
IOWA	MAMIE CREEK
IOWA	MIDDLE 102 RIVER
IOWA	MILL CREEK (MISSOURI)
IOWA	PACS-INDIAN CREEK
IOWA	PLATTE RIVER
IOWA	PRAIRIE CREEK
IOWA	ROCKY BRANCH OF PAGE
IOWA	SAND COVE
IOWA	SHOW CREEK
IOWA	SOLDIER-BEAVER
IOWA	UPPER MOSQUITO
IOWA	WEST BRANCH OF IOWA
IOWA	WEST NODAWAY
IOWA	WEST TARKIO CREEK
IOWA	WEST 102 RIVER
IDAHO	BOISE FRONT
IDAHO	NORTH PARIS CREEK
IDAHO	ROCK CREEK (TWIN FALLS)
IDAHO	TAMMANY CREEK
ILLINOIS	LAKE MATTOON
ILLINOIS	LONG LAKE WATERSHED PROTECTION
ILLINOIS	TINLEY CREEK
INDIANA	BLUE RIVER
INDIANA	HONEY CREEK
KANSAS	ALLEN CREEK
KANSAS	CEDAR CREEK (ATCHISON)
KANSAS	DOYLE CREEK
KANSAS	EAGLE CREEK
KANSAS	GROUSE-SILVER CREEK
KANSAS	JAMES DRAW
KANSAS	LONG-SCOTT CREEK
KANSAS	LOWER MILL CREEK
KANSAS	LOWER POTTAWATOMIE CREEK
KANSAS	OTTER CREEK
KANSAS	PAWNEE NO. 1 (SAWMILL)
KANSAS	PAWNEE NO. 2 (RIVERSIDE)
KANSAS	PAWNEE NO. 3 (SAWLOG)
KANSAS	PAWNEE NO. 4 (BUCKNER)
KANSAS	PAWNEE NO. 5 (HACKBERRY)
KANSAS	PAWNEE NO. 6 (RAVANNA)
KANSAS	PAWNEE NO. 7 (UPPER PAWNEE)
KANSAS	ROCK CREEK (LYON COUNTY)
KANSAS	SPRING CREEK (MARSHALL)
KANSAS	SPRING CREEK-STRAIGHT CREEK
KANSAS	SWITZLER CREEK
KANSAS	TAUY CREEK
KANSAS	UPPER DELAWARE & TRIBUTARIES
KANSAS	UPPER MILL CREEK
KANSAS	UPPER POTTAWATOMIE CREEK
KANSAS	VERMILLION CREEK

STATE	NAME
KENTUCKY	CASEY CREEK
KENTUCKY	FALL CREEK
KENTUCKY	HANGING FORK CREEK
KENTUCKY	RICHLAND CREEK
KENTUCKY	UPPER LICKING RIVER
LOUISIANA	BAYOU DUGRAPPE
LOUISIANA	BAYOU LACASSINE
LOUISIANA	BAYOU QUEUE DE TORTUE
LOUISIANA	BLACK BAYOU
LOUISIANA	CENTRAL LAFAYETTE
LOUISIANA	CYPREMORT RIDGE
LOUISIANA	EAST RICHLAND
LOUISIANA	GASTIS CREEK
LOUISIANA	LITTLE INDIAN BAYOU
LOUISIANA	LONG BRANCH
LOUISIANA	RIGOLETTE
LOUISIANA	WEST RICHLAND
MARYLAND	KINGS CREEK
MARYLAND	MARUMSCO
MARYLAND	POCOMOKE RIVER (VA. & DEL)
MARYLAND	TURKEY BRANCH
MAINE	GREEN RIDGE WATERSHED
MAINE	KENDUSKEAG STREAM WATERSHED
MINNESOTA	ANGUS-OSLO
MINNESOTA	BADGER CREEK
MINNESOTA	CEDAR VALLEY
MINNESOTA	CHAMPEPEDAN
MINNESOTA	HERON LAKE
MINNESOTA	JACK CREEK
MINNESOTA	LAZARUS CREEK
MINNESOTA	MELGAARD-SWIFT COULEE
MINNESOTA	MIDDLE RIVER
MINNESOTA	OKABENA CREEK
MINNESOTA	THOMPSON VALLEY
MINNESOTA	THREE-MILE CREEK
MINNESOTA	TURTLE CREEK
MINNESOTA	UPPER YELLOW MEDICINE
MISSOURI	BEE BRANCH
MISSOURI	BLACKBIRD-WILDCAT CREEKS (IOWA)
MISSOURI	CACHE RIVER (AR)
MISSOURI	CANE CREEK (AR)
MISSOURI	CLEAR CAYHOGA, MUDDY CREEKS
MISSOURI	CROOKED AND OTTER CREEK
MISSOURI	CROOKED RIVER
MISSOURI	EAST FORK GRAND RIVER (IOWA)
MISSOURI	EAST 102 RIVER (IOWA)
MISSOURI	HICKORY CREEK
MISSOURI	HONEY AND SUGAR CREEK
MISSOURI	LITTLE DRYWOOD CREEK
MISSOURI	LITTLE THIRD FORK OF PLATTE RIVER
MISSOURI	LOWER 102 RIVER
MISSOURI	MEDICINE CREEK (IOWA)
MISSOURI	MIDDLE FORK OF CHARITON
MISSOURI	MIDDLE FORK OF SALT RIVER
MISSOURI	MONITEAU CREEK

STATE	NAME
MISSOURI	NORTH RIVER
MISSOURI	NORTH WYACONDA (IOWA)
MISSOURI	NORTH-INTER RIVER
MISSOURI	PIKE-SPENCER
MISSOURI	SALT CREEK-GARDEN OF EDEN
MISSOURI	ST JOHNS BAYOU BASIN
MISSOURI	WEST FORK OF GRAND RIVERS TRIBS
MISSOURI	WESTON'S BEAR CREEK
MISSISSIPPI	BIG SAND CREEK
MISSISSIPPI	BOGUE CHITTO CREEK
MISSISSIPPI	CONEHATTA CREEK
MISSISSIPPI	DOAKS CREEK
MISSISSIPPI	DOG RIVER
MISSISSIPPI	FIVE MILE CREEK
MISSISSIPPI	LAUREL CREEKS
MISSISSIPPI	LEWIS AND BETSY AND HAYS CREEKS
MISSISSIPPI	LITTLE BLACK CREEK
MISSISSIPPI	LONG BRANCH
MISSISSIPPI	PEACHAHALA CREEK
MISSISSIPPI	SANDY CREEK
MISSISSIPPI	SENEASHA CREEK
MISSISSIPPI	SEVEN CREEKS
MISSISSIPPI	SKIFFER CREEK
MISSISSIPPI	SOUTHWEST DELTA
MISSISSIPPI	ZILPHA CREEK
MONTANA	PASTURE CREEK
MONTANA	ROSEBUD-TREASURE
NORTH CAROLINA	BROWN MARSH
NORTH CAROLINA	CATAWBA RIVER
NORTH CAROLINA	CONETOE CREEK
NORTH CAROLINA	FAIRFIELD
NORTH CAROLINA	INDIAN, HOWARDS, AND BEAVER DAM CREEK
NORTH CAROLINA	LONG SWAMP
NORTH CAROLINA	LYON SWAMP
NORTH CAROLINA	MAXWELL CREEK
NORTH CAROLINA	MUDDY CREEK OF THE YADKIN RIVER
NORTH CAROLINA	SLENDER BRANCH
NORTH CAROLINA	UPPER CONTENTNEA CREEK
NORTH DAKOTA	ANTELOPE CREEK
NORTH DAKOTA	OAK CREEK
NORTH DAKOTA	OX CREEK
NORTH DAKOTA	SHELL LAKE
NORTH DAKOTA	WILLOW CREEK
NEBRASKA	BELL CREEK
NEBRASKA	BIG MUDDY CREEK
NEBRASKA	BUFFALO-ELM CREEK
NEBRASKA	FISH CANYON
NEBRASKA	HOWE CREEK
NEBRASKA	LOSEKE-TAYLOR
NEBRASKA	LOWER BIG NEMAHA
NEBRASKA	LOWER WOOD RIVER
NEBRASKA	MINNECHADUZA
NEBRASKA	NEW YORK CREEK

STATE	NAME
NEBRASKA	NORTH BRANCH
NEBRASKA	NORTH FORK
NEBRASKA	NORTH-EAST CASS
NEBRASKA	OGALLALA
NEBRASKA	PEBBLE CREEK
NEBRASKA	PERU-BROWNVILLE
NEBRASKA	PIGEON-OMAHA CREEK
NEBRASKA	PLUM CREEK
NEBRASKA	ROCK CREEK (LANCASTER)
NEBRASKA	SHELL CREEK
NEBRASKA	SKULL CREEK
NEBRASKA	SOUTH LOGAN CREEK
NEBRASKA	SOUTH TURKEY CREEK
NEBRASKA	SOUTH TURKEY CREEK
NEBRASKA	SOUTHERN SARPY
NEBRASKA	STEVENS CREEK
NEBRASKA	THOMPSON CREEK
NEBRASKA	TURKEY CREEK-NAPONEE
NEBRASKA	UPPER PRAIRIE CREEK
NEBRASKA	WAHOO CREEK
NEBRASKA	WARM SLOUGH-SILVER CREEK
NEBRASKA	WEEPING WATER CREEK
NEW HAMPSHIRE	BLOW-ME-DOWN BROOK
NEW HAMPSHIRE	CLARK BROOK
NEW JERSEY	CROSSWICKS/BLACKS CREEK
NEW JERSEY	JACOBS CREEK
NEW JERSEY	UPPER MILLSTONE RIVER
NEW YORK	DONNER BROOK
OHIO	GORDON CREEK (INDIANA)
OHIO	LITTLE SALT CREEK
OHIO	LITTLE SCIOTO RIVER
OHIO	LOWER BLANCHARD RIVER
OHIO	LOWER KILLBUCK CREEK
OHIO	MIDDLE ST. MARYS
OHIO	NORTH FORK OF PAINT CREEK
OHIO	OTTAWA RIVER
OHIO	TOUSSAINT CREEK
OHIO	UPPER AUGLAIZE RIVER
OHIO	UPPER BLANCHARD RIVER
OHIO	UPPER ROCKY FORD CREEK
OHIO	UPPER ST. MARYS
OHIO	VILLAGE OF DRESDEN
OHIO	WALNUT CREEK & TRIBUTARIES
OHIO	WEST BRANCH OF WOLF CREEK
OKLAHOMA	BIRD CREEK (HOMINY SEGMENT)
OKLAHOMA	BIRD CREEK (UPPER SEGMENT)
OKLAHOMA	BIRD CREEK(LOWER SEGMENT)
OKLAHOMA	BIRDS NEST
OKLAHOMA	BITTER CREEK (KS)
OKLAHOMA	BLACK FORK CREEK (AR)
OKLAHOMA	BRAZIL CREEK
OKLAHOMA	BUCKHEAD
OKLAHOMA	BUFFALO CREEK

STATE	NAME
OKLAHOMA	CANADIAN LATERALS
OKLAHOMA	CENTRAL LITTLE RIVER
OKLAHOMA	COMBINED CREEKS(ARKANSAS)
OKLAHOMA	COTTONWOOD CANYON
OKLAHOMA	DIRTY CREEK
OKLAHOMA	HOLSTON-REICHERT-CONSER CREEK
OKLAHOMA	HOUSTON CREEK
OKLAHOMA	J. V. FLATS
OKLAHOMA	KINGFISHER CREEK
OKLAHOMA	LOWER BEAVER CREEK
OKLAHOMA	LOWER BIG CABIN
OKLAHOMA	LOWER BLUE RIVER
OKLAHOMA	LOWER CANEY RIVER
OKLAHOMA	LOWER SKELETON CREEK
OKLAHOMA	LUGERT-ALTUS
OKLAHOMA	LUKFATA CREEK
OKLAHOMA	MIDDLE MUDDY BOGGY
OKLAHOMA	NORTH BOGGY CREEK
OKLAHOMA	NORTH LATERALS OF NO. FORK OF RED RIVER
OKLAHOMA	SALT FORK
OKLAHOMA	SAND CREEK
OKLAHOMA	SIX MILE CREEK
OKLAHOMA	STINKING CREEK
OKLAHOMA	SWEETWATER CREEK
OKLAHOMA	TIMBER CREEK
OKLAHOMA	TURKEY-BOGGY CREEK
OKLAHOMA	UPPER BIG CABIN
OKLAHOMA	UPPER SKELETON CREEK
OKLAHOMA	WALNUT BAYOU
OKLAHOMA	WHISKEY CREEK
OREGON	TROUT CREEK
OREGON	WILDHORSE CREEK
PENNSYLVANIA	BENTLEY CREEK (NY)
PENNSYLVANIA	BIG COVE CREEK
PENNSYLVANIA	CALKINS CREEK
PENNSYLVANIA	LAUREL HILL CREEK
PENNSYLVANIA	LITTLE MAHANOY CREEK
PENNSYLVANIA	LITTLE PUCKETA CREEK
PENNSYLVANIA	SPRING CREEK
PUERTO RICO	CULEBRINAS RIVER
RHODE ISLAND	AQUIDNECK ISLAND
SOUTH CAROLINA	NORTH FORK EDISTO
SOUTH CAROLINA	RED BANK WATERSHED
SOUTH CAROLINA	THOMPSON-WESTFIELD CREEK
SOUTH CAROLINA	TRIO WATERSHED
SOUTH CAROLINA	WEST ORANGEBURG WATERSHED
SOUTH DAKOTA	SLIP UP CREEK
TENNESSEE	BEANS CREEK
TENNESSEE	BIG CREEK
TENNESSEE	BIG ROCK CREEK
TENNESSEE	BUCK CREEK
TENNESSEE	CAMP CREEK
TENNESSEE	CHARLES CREEK
TENNESSEE	CHERRY BOTTOM

STATE	NAME
TENNESSEE	ESTILL FORK & HURRICANE FORK
TENNESSEE	GRASSY CREEK
TENNESSEE	GROVE CREEK
TENNESSEE	HALL'S CREEK
TENNESSEE	HICKORY CREEK
TENNESSEE	HORSE-TURKEY CREEK
TENNESSEE	MOUNTAIN CREEK
TENNESSEE	MOUSE CREEK-SPRING CREEK
TENNESSEE	OOSTANAULA CREEK
TENNESSEE	REEDS CREEK
TENNESSEE	RHEA COUNTY MUDDY CREEK
TENNESSEE	ROGERS CREEK
TENNESSEE	SPRING CREEK
TENNESSEE	SULPHER FORK CREEK
TENNESSEE	TOWN CREEK
TENNESSEE	WEST PINEY CREEK
TENNESSEE	WILLIAMS CREEK
TEXAS	DEVERS CANAL SYSTEM
TEXAS	LOWER AQUILLA-HACKBERRY CREEK
UTAH	SAND WASH LAND TREATMENT
VIRGINIA	HAYS CREEK
VIRGINIA	PAMUNKEY RIVER
VIRGINIA	SANDY CREEK
VIRGINIA	SANDY RIVER
VIRGINIA	STOCK CREEK
VERMONT	LOWER LAMOILLE RIVER
WASHINGTON	NORTH WHITSTRAN WATERSHED
WASHINGTON	TUCANNON RIVER
WISCONSIN	LOWER GRANT RIVER
WEST VIRGINIA	ARBUCKLE CREEK
WEST VIRGINIA	CAMPBELL'S CREEK
WEST VIRGINIA	ISLAND CREEK
WEST VIRGINIA	LOWER DECKERS CREEK
WEST VIRGINIA	MUD RIVER
WEST VIRGINIA	OCEANA
WEST VIRGINIA	TETER CREEK
WEST VIRGINIA	UPPER FISH CREEK
WEST VIRGINIA	UPPER MEADOW RIVER
WYOMING	EDEN VALLEY IRRIGATION AND DRAINAGE

PL566 WATERSHED IN PLANNING

STATE	NAME
ALABAMA	CAMP BRANCH
ALABAMA	CHANDLER MOUNTAIN
ALABAMA	DRY CREEK (MARENGO)
ALABAMA	HARRISON MILL-PANTHER CREEK
ALABAMA	PATES CREEK WATERSHED
ARKANSAS	EAST FORK CADRON CREEK
ARKANSAS	LOWER CADRON CREEK
ARKANSAS	NORTH FORK CADRON CREEK
ARKANSAS	TYRONZA RIVER
ARIZONA	EAGLE TAIL MOUNTAIN
ARIZONA	YUMA MESA
CALIFORNIA	CULL CREEK
CALIFORNIA	LELAND FREEBORN SALINITY MANAGEMENT
CALIFORNIA	LOWER SILVER CREEK
CALIFORNIA	SOUTH FORK KINGS RIVER
CALIFORNIA	UPPER PENITENCIA CREEK
COLORADO	SHAVANO VALLEY
CONNECTICUT	FARM RIVER
CONNECTICUT	HARBOR BROOK
CONNECTICUT	MILL-HORSE BROOK
CONNECTICUT	YANTIC RIVER
DELEWARE	MURDERKILL RIVER
DELEWARE	ST. JONES RIVER
GEORGIA	CASON BRANCH-DUHART CREEK
GEORGIA	HORSE CREEK
GEORGIA	LITTLE RIVER
HAWAII	LAHAINA
HAWAII	WAIMEA-PAAUILO AGRICULTURAL
IOWA	A & T LONG BRANCH
IOWA	BUFFALO BILL
IOWA	LONG BRANCH
IOWA	ROSS
IOWA	SOAP CREEK
IDAHO	TENSED-LOLO
IDAHO	UPPER LITTLE MALAD-DANIELS
ILLINOIS	LICK CREEK
ILLINOIS	LOWER DES PLAINES TRIBUTARIES
INDIANA	MARIAH CREEK
INDIANA	PIGEON CREEK
INDIANA	PORTER COUNTY-KANKAKEE
INDIANA	WEST GOSHEN
KANSAS	PONY CREEK (NEBRASKA)
KANSAS	ROY'S CREEK
KANSAS	SOUTH FORK
KANSAS	WOLF RIVER
KENTUCKY	EAST AND MIDDLE MASSAC CREEK
KENTUCKY	HIGHLAND CREEK
KENTUCKY	PIGEON ROOST
KENTUCKY	SOUTH FORK LITTLE RIVER
LOUISIANA	BAYOU MALLET
LOUISIANA	BUNDICK CREEK
LOUISIANA	FIFTH WARD
LOUISIANA	MILL HAVEN

STATE	NAME
LOUISIANA	UPPER VERMILION BAYOU
LOUISIANA	WEST FRANKLIN
MASSACHUSETTS	COBB BROOK
MARYLAND	FORGE BRANCH
MAINE	PERLEY BROOK
MICHIGAN	BEAR RIVER
MICHIGAN	BLACK CREEK
MICHIGAN	ELK RIVER
MINNESOTA	KANARANZI-LITTLE ROCK
MINNESOTA	SNAKE RIVER
MISSOURI	BIG CREEK-HURRICANE CREEK
MISSOURI	EAST LOCUST CREEK
MISSOURI	EAST YELLOW CREEK
MISSOURI	MISSISSIPPI COUNTY SPILLWAY AREA
MISSOURI	PERUQUE CREEK
MISSOURI	UPPER LOCUST CREEKS
MISSOURI	WEST FORK OF BIG CREEK (IA)
MISSISSIPPI	SOUTH DELTA
MONTANA	MILL CREEK
NORTH CAROLINA	BIG AND DOUBLE CREEKS
NORTH CAROLINA	LANES CREEK
NORTH CAROLINA	RICHARDSON CREEK
NORTH DAKOTA	BELFIELD
NORTH DAKOTA	ENGLISH COULEE
NEBRASKA	CALLAHAN CREEK
NEBRASKA	EAST-WEST-DRY MAPLE CREEK
NEBRASKA	LOWER LITTLE NEMAHA
NEBRASKA	MIDDLE BIG NEMAHA
NEBRASKA	SKULL CREEK
NEBRASKA	SOAP CREEK (GAGE)
NEBRASKA	SQUAW-CAMP CREEK
NEBRASKA	TURKEY CREEK (KS)
NEBRASKA	UPPER LITTLE NEMAHA
NEW JERSEY	LOWER PEQUEST FLOOD PROTECTION
NEVADA	EAST WALKER
NEW YORK	CAYADUTTA CREEK
NEW YORK	DYKE CREEK
NEW YORK	ONTARIO WATERSHED
NEW YORK	VIRGIL CREEK
OHIO	EAST BRANCH SUGAR CREEK
OHIO	KINGS CREEK
OHIO	UPPER MAD RIVER
OHIO	WILLS CREEK
OKLAHOMA	BIG BEAVER CREEK
OKLAHOMA	BOIS D'ARC-COWSKIN CREEKS
OKLAHOMA	DRY CREEK
OKLAHOMA	LITTLE BEAVER CREEK
OKLAHOMA	NORTH DEER CREEK
OKLAHOMA	SANS BOIS CREEK
OREGON	DRY FORK WATERSHED
OREGON	NORTH SIDE BIG NESTUCCA
PENNSYLVANIA	CEDAR RUN WATERSHED
PENNSYLVANIA	UPPER TIOGA RIVER

STATE	NAME
RHODE ISLAND	AQUIDNECK ISLAND WATERSHED
SOUTH CAROLINA	BUSH RIVER-BEAVERDAM CREEK
SOUTH CAROLINA	NORTHWEST CHEROKEE
SOUTH CAROLINA	SALEM COMMUNITY
SOUTH CAROLINA	WALLACE WATERSHED
SOUTH DAKOTA	TURKEY-CLAY CREEK
TENNESSEE	WHITE OAK CREEK
TEXAS	BIG CREEK (DELTA CO.)
TEXAS	BIG CREEK (TRI-COUNTY)
TEXAS	HUDSPETH COUNTY CONS & RECLAMATION
TEXAS	SULPHUR CREEK
UTAH	DRY GULCH-CLASS K-2
UTAH	DRY GULCH-HANCOCK COVE
UTAH	DRY GULCH-T.H. DODD IRRIS CO
VIRGINIA	CRIPPLE CREEK
VIRGINIA	WATKINS BRANCH
VERMONT	BARTON AND CLYDE RIVERS
VERMONT	LOWER MISSISQUOI RIVER
WISCONSIN	RICHLAND CREEK
WEST VIRGINIA	HOWARD CREEK
WEST VIRGINIA	LITTLE WHITESTICK-CRANBERRY
WEST VIRGINIA	MIDDLE GRAVE CREEK
WEST VIRGINIA	OPEQUON CREEK

RIVER BASIN AND FLOOD PLAIN MANAGEMENT STUDIES

Mr. WHITTEN. Please provide the list of the 71 river basin studies and 105 flood plain management studies that will be turned over to State agencies or local sponsors if the river basin investigations program is terminated.

Mr. SCALING. Presently, 71 cooperative river basin studies and 105 flood plain management studies are ongoing. We estimate that from the 71 ongoing cooperative river basin studies, 14 will be completed and will not have to be turned over to state agencies for completion. We also anticipate completing 31 flood plain management studies. Lists of the ongoing studies will be provided.

[The information follows:]

ONGOING COOPERATIVE RIVER BASIN SURVEYS

STATE	NAME
Alaska	Alaska Rivers
Alaska	Cooper River
Alaska	Kuskokwim River
Arkansas	Arkansas Delta Basin
Arizona	Pinal AMA
Arizona	Central AZ Groundwater
Arizona	Gila R. Indian Community
California	Tonki Creek
California	Chino Basin-Ontario
California	Cuyama Valley
Colorado	Missouri River Tributaries
Colorado	Delores Project Area
Deleware	Coastal Sussex Coast
Florida	Central FL. Water Cons.
Georgia	Southeast Georgia
Georgia	Upper Chattahoochee River
Georgia	Watershed Protection
Hawaii	Upcountry Maui
Iowa	Northeast Iowa River Basin
Iowa	Skunk River
Idaho	Idaho Irrigation Study
Idaho	Middle and Lower Snake Rivers
Idaho	Special Erosion Study
Idaho	Raft River (UT)
Illinois	Hydrologic Unit
Indiana	Kankakee River Hydrologic
Indiana	NE Indiana Erosion and Sediment
Indiana	E.Central IN Erosion & Sediment
Indiana	West Central Indiana
Kansas	Northeast KS Erosion & Sediment
Kentucky	Kentucky Special Resources
Kentucky	Southeast KY Special
Louisiana	LaFourche-Terrebonne
Louisiana	East Central Barataria
Massachusetts	Water Resource Priority
Maryland	West Chesapeake Bay
Maine	Aroostook Crop Erosion
Michigan	Saginaw Bay Area
Michigan	MI Agriculture Water Mgt.
Missouri	Upper Salt River
Missouri	Three Forks Grand River
Minnesota	Upper Otter Tail River
Mississippi	Mississippi Statewide
Mississippi	Pearl River--Phase II
Montana	Gravity Sprinkler
North Carolina	Broad River-Catawba River
North Dakota	Des Lacas-Souris River
Nebraska	Sand Hills
Nebraska	Missouri River Hydrologic Study
New Mexico	Lower Rio Grande River
New Mexico	Hidalgo Y Luna

ONGOING COOPERATIVE RIVER BASIN SURVEYS (continued)

STATE	NAME
New York	Oriskany-Kayaderosseras
Ohio	Impact on Erosion 65Co.
Oklahoma	Southwest Okla. Study
Pennsylvania	Big Cove and Laurel Hill
South Carolina	South Carolina Statewide Study
South Carolina	Central South Carolina Study
South Carolina	West Piedmont Study
Tennessee	Hatchie River (MS)
Tennessee	West Eight Study
Texas	Critical Flood & Erosion
Utah	Shambip River
Virginia	Southwest Virginia Study
Vermont	Vermont Flood and Erosion Study
Washington	Southeast Washington and Tucannon River
Washington	East High Columbia--Big Bend
Wisconsin	Loess Hills Study
Wisconsin	Groundwater Protection
West Virginia	Lower Kanawha River
West Virginia	Guyandotte River
Wyoming	Irrigation and Water Cons.

ONGOING FLOOD PLAIN MANAGEMENT STUDIES

STATE	NAME
Alaska	Jarvis Creek
Arkansas	City of Cherry Valley
Arkansas	City of Greenbrier
Arizona	Palominos-Miracle Valley
Arizona	Town of Eagar
California	Mint Canyon Creek
California	San Vincente Creek
California	Sand Creek
California	Placerita Creek
Colorado	Colorado River Tributaries
Colorado	Town of Silt
Colorado	Lone Tree Creek (WY)
Connecticut	Connecticut Valley
Connecticut	West River
Connecticut	Naugatuck Valley and Co.
Connecticut	Food Warning
Deleware	Mispillion River
Florida	Monroe Basin
Florida	Tomoka River & Spruce Creek
Georgia	Habersham County
Idaho	Deep Creek - Devil Creek
Illinois	Tinley Creek
Illinois	Henderson Creek
Illinois	Lake Creek, Johnston Co.
Illinois	Blackberry Creek
Illinois	Reconnaissance Group B
Illinois	Indian Creek
Illinois	Butterfield Creek
Illinois	Lower Rock Run
Illinois	Upper Craborchard Creek
Illinois	Six Mile Creek
Indiana	Jasper County
Indiana	Honey Creek
Kentucky	Lynn Camp Creek (Corbin)
Louisiana	Gilmer Bayou and Tribs.
Louisiana	Bushley Creek Tribs.
Louisiana	City of DeRidder
Louisiana	Bickham Bayou and Tribs.
Louisiana	Lukeville & Surrounding Area
Massachusetts	Congamond Lakes
Massachusetts	Salisbury Brook
Massachusetts	North River & East Branch
Maine	Town of Bethal
Maine	Town of Houlton
Maine	Town of Union
Michigan	Coldwater River
Michigan	McCoy Creek
Michigan	Clam River
Missouri	Moniteau Creek
Missouri	East Fork of Fishing River
Missouri	Frene Creek
Missouri	Perche-Hinkson Creek

ONGOING FLOOD PLAIN MANAGEMENT STUDIES (continued)

STATE	NAME
Montana	Big Hole River
Montana	City of Baker
North Carolina	Transylvania County
North Carolina	Dam Safety-Breach Route
North Carolina	Muddy Creek
North Dakota	Spring Creek
North Dakota	Oak-Willow Creek
North Dakota	City of Hamilton
North Dakota	Edgely
North Dakota	White Earth
Nebraska	Lower Wood Creek
Nebraska	Upper Wood Creek
Nebraska	Wahoo Creek
Nebraska	South Logan Creek
New Hampshire	Black, Gunstock & Meadow
New Hampshire	Strafford County
New Jersey	Hackensack & Passiac
New Jersey	South Branch of Rockaway Creek
New York	Broome County Flood
Ohio	Jonathan Creek
Ohio	Upper Scioto River
Ohio	Blanchard River
Ohio	Black Fork of Mohican River
Ohio	Mill and Fulton Creek
Oklahoma	Town of Fairview
Oklahoma	Town of Slaugtherville
Oregon	City of Sheridan
Pennslyvania	Pitch Pine Run
Rhode Island	Lincoln Downs Brook
Rhode Island	Maskerchugg River
South Carolina	Langston Creek
South Carolina	Dam Safety Breach Routing
South Carolina	Rumphs Hill Creek
Tennessee	City of Pegram
Tennessee	Oostanaula Watershed
Texas	City of Spearman
Texas	Davidson Creek & Tribs.
Texas	Toyah Creek & Sandia Creek
Virginia	Briery Branch
Virginia	S.Fork Shenandoah River
Vermont	Town of Groton
Vermont	Town of Grafton
Vermont	Town of Norwich
Vermont	Town of Ryegate
Vermont	Town of Underhill
Vermont	Town of Pittsfield
Washington	Town of Almira
Wisconsin	Price County Lakes
Wisconsin	Elk River
Wisconsin	Village of Avoca
Wisconsin	Pine River
West Virginia	Berkely and Jefferson County

LOCAL SUPPORT FOR ELIMINATION OF RIVER BASIN PROGRAM

Mr. WHITTEN. Last year's budget proposed to eliminate the River Basin Surveys and Investigations Program. Since this was widely publicized, did you have any local sponsors come forward to support this proposal?

Mr. SCALING. No local sponsors publicly supported this proposal to our knowledge.

COOPERATIVE RIVER BASINS SURVEYS

Mr. WHITTEN. Please list for the record the cooperative efforts you now have underway between SCS and the Corps of Engineers.

Mr. SCALING. Three joint investigations and surveys are underway in fiscal year 1986 between the Corps of Engineers and the Soil Conservation Service. These cooperative efforts are authorized by Public Law 87-639 and are: Wolf-Loosahatchie Rivers and Nonconnah Creek, Tennessee and Mississippi; Minnesota Rivers Subbasins, Minnesota; and Tombigbee and Tuscumbia, Mississippi and Alabama.

SCS—CORPS OF ENGINEERS JOINT PROJECT

Mr. WHITTEN. In fiscal year 1984, the SCS and the Corps of Engineers started a joint project in the Upper Yazoo Basin foothill area of Mississippi. Please provide a detailed status report and schedule for completion of this project.

Mr. SCALING. Three contracts have been awarded on Long Creek and two are planned. Hotophia has two contracts awarded and two designed. Otoucalofa Creek has one project planned. Hichahola has three contracts awarded and three designed. Batupan Bogue has three contracts awarded and two designed. Black Creek has two contracts awarded and two designed. The funds for the designed projects are being held in the proposed rescission of fiscal year 1986 funds. No funding is scheduled for fiscal year 1987 since the program is being eliminated.

EMERGENCY WATERSHED PROTECTION

Mr. WHITTEN. As a result of the severe flooding through the South and Southeast associated with Hurricane Juan in 1985, how many requests for assistance did SCS receive for watershed and flood prevention operations?

Mr. SCALING. Congress included 40 million dollars additional funds in the SCS appropriations for fiscal year 86 to meet emergency needs caused by Hurricane Juan and the November 1985 floods in Virginia and West Virginia. To date, $3,660,500 has been used in Mississippi, $275,000 in Louisiana, $3,557,000 in Virginia and $26,372,100 in West Virginia.

Mr. WHITTEN. If Congress were to agree to the Administration's proposal to rescind $60 million from watershed and flood prevention operations, how many projects would not be completed or acted upon?

Mr. SCALING. The emergency funds were excluded from the freeze on contracting which went into affect February 1 in watershed construction, so work is continuing. All requests for funds have been satisfied. The $6,983,000 being rescinded is the amount which would have been available for future events, so no requests from Hurricane Juan have been rejected because of the rescission.

Mr. WHITTEN. Was the emergency contingency fund restored from fiscal year 1986 appropriated funds? What is the current unobligated balance in the emergency watershed fund account?

Mr. SCALING. Yes the 5 million dollars was restored. However this is included in the nearly 7 million dollar rescission. Presently there is approximately $400,000 in excess of the rescission. These funds are being held for contract modifications of the ongoing work.

RESCISSION PROPOSAL

Mr. WHITTEN. Since you have already resticted use of $60 million pending the outcome of the rescission proposal, how many projects will be impacted by the delay if Congress rejects the proposal?

Mr. SCALING. Approximately 90 contracts are impacted by the $60 million rescission.

FLOOD PREVENTION OPERATIONS

Mr. WHITTEN. Please list the 11 watershed projects authorized by P.L. 534 and also describe each project and expected benefits and list the cost to complete.

Mr. SCALING. There were 11 watersheds authorized by P.L. 534. Two of the watersheds, Buffalo Creek in New York, and Coosa River in Georgia and Tennessee, are complete. The remaining nine projects are still ongoing. The projects have flood prevention, reduction of soil erosion, and prevention of land voiding as primary purposes. The P.L. 534 watersheds are evaluated using essentially the same procedures as are used in the P.L. 566 watershed program; therefore, recreation, municipal and urban water supply, drainage, and other benefits are also claimed. The overall program benefits are estimated to exceed the estimated program cost by nearly two to one.

The Yazoo watershed in Mississippi is 7,661,278 acres. fifty-nine of the 94 subwatersheds have completed plans. The current total estimated cost is over 327 million dollars. Nearly 175 million dollars in construction work remains to be done.

The Little Tallahatchie watershed has 963,977 acres and is in Mississippi. Planning is complete on 18 subwatersheds. The project is less than half complete with 47 million dollars installed of the 88 million dollars total estimated cost.

The Little Sioux watershed in Iowa is 1,740,800 acres with 95 of the 124 subwatersheds already planned. Most of the remaining work is for land treatment rather than structural type measures. Approximately 73 million of the 117 million dollars total cost remains to be done.

The Los Angeles watershed in California is 536,960 acres. Structural work is complete. Approximately 10 million dollars is required to complete this 60 million dollar project.

The Santa Ynez watershed in California is 576,000 acres. The last structural contracts is scheduled for fiscal year 1986 subject to availability of funds. Approximately 1.2 million dollars is required to complete this project.

The Potomac watershed covers 4,205,400 acres and is in Maryland, Pennsylvania, Virginia, and West Virginia. Planning for the Potomac is approximately 90 percent complete, with 48 million of the 116 million dollars in total project construction remaining to be installed.

The Middle Colorado Watershed in Texas is a 4,613,120 acre project with all 17 of the subwatersheds planned. The total cost is estimated to be 53 million with about 6.0 million dollars in construction remaining to be done.

The Trinity watershed is 8,424,260 acres in Texas. Over 90 percent of the planning is complete. About 52 million of the 196 million dollars in construction remains to be done.

The Washita River watershed is in Texas and Oklahoma. The watershed covers 5,095,040 acres. Planning is over 95 percent complete. Approximately 17 million of the total estimated cost of 155 million in construction remains to be installed.

The total remaining work in the nine active P.L. 534 watersheds is approximately 426 million dollars.

NEW PL 534 WATERSHED STARTS

Mr. **Whitten**. Please list the five new starts of the P.L. 534 program that were directed for fiscal years 1985 and 1986.

Mr. **Scaling**. West Aldrich Subwatershed in Iowa was the only new start for Public Law 534 in fiscal year 1985. Because of land rights and other problems, none of the other sponsors were ready for a new start in 1985. We have not identified any subwatersheds that the sponsors have met the obligations necessary for a new start in fiscal year 1986.

NEW CONSTRUCTION STARTS

Mr. **Whitten**. At the time of last year's hearing the Department was unable to list the 20 new starts required for fiscal year 1985 under the P.L. 566 program. Please list the new starts selected for fiscal year 1985 and the benefits of each for the record?

Mr. **Scaling**. We initiated 13 new construction starts in 1985 under Public Law 566. These were the only projects where the sponsors were able to satisfy the conditions necessary to begin construction. The basic problems are the sponsors difficulty in obtaining landrights and the lack of funding needed to finance the local costs.

We would be happy to provide to the Committee a listing of the 13 new construction starts initiated in fiscal year 1985.

[The information follows:]

FISCAL YEAR 1985 PUBLIC LAW 566 NEW CONSTRUCTION STARTS

State	Project	Estimated Federal benefit
Alabama	Kelly-Preston Mill Creek Watershed	$2,034,000
Iowa	Morlee Watershed	1,732,000
Iowa	Twin Ponies Watershed	882,000

FISCAL YEAR 1985 PUBLIC LAW 566 NEW CONSTRUCTION STARTS—Continued

State	Project	Estimated Federal benefit
Iowa and Missouri	Indian Creek-Van Buren Watershed	2,971,000
Kansas	Middle Creek Watershed	6,589,000
Kansas	Elk Creek Watershed	15,192,000
Minnesota	South Zumbro Watershed	20,398,000
Ohio	North Hocking Watershed	3,500,000
Ohio	South Fork Licking Watershed	10,000,000
Oklahoma	McKinney-Buzzard Watershed	1,285,000
South Carolina	Back Swamp Watershed	495,000
Texas	West Fork of Buffalo Creek Watershed	1,680,000
Wisconsin	Pine River Watershed	11,354,000

FISCAL YEAR 1986 POTENTIAL PUBLIC LAW 566 NEW CONSTRUCTION STARTS

Mr. WHITTEN. Please list the potential new starts in fiscal year 1986 for the P.L. 566 program.

Mr. SCALING. We will provide for the record a list of the potential new starts to the Committee.

[The information follows:]

FISCAL YEAR 1986 POTENTIAL PUBLIC LAW 566 NEW CONSTRUCTION STARTS

State	Project	Benefit/cost ratio
Arkansas	Plum Bayou	1.8:1
Connecticut	Avery Brook	1.1:1
Georgia	Tesnatee Creek	1.8:1
Minnesota	Burnham Creek	1.3:1
Mississippi	Bear Town	1.1:1
New York	Brandywine Creek	1.03:1
North Carolina	Swan Quarter	1.8:1
North Carolina	Sandy Creek	1.6:1
Ohio	Prairie-Hoaglin Branch of Little Anglaize	2.9:1
South Carolina	Little River	1.9:1
Tennessee	Portland	1.1:1
Vermont	Upper Castleton	1.4:1
West Virginia	Upper Mud River	1.1:1

INACTIVE PUBLIC LAW 566 PROJECTS

Mr. WHITTEN. Of the 39 P.L. 566 projects listed in last year's record as being inactive, have any been reactivated by the local sponsors?

Mr. SCALING. The local sponsors in Arkansas have resolved a land rights problem in the Big Slough Watershed, so it has been reactivated. Brillion Watershed in Wisconsin has been completed. These are the only two projects that have been reactivated.

RESOURCE CONSERVATION AND DEVELOPMENT PROGRAM

Mr. WHITTEN. In light of the consistent appropriations levels for resource conservation and development programs, why have no new RC&D areas been authorized in fiscal year 1986, or expected to be authorized in fiscal year 1987?

Mr. SCALING. No new areas will be authorized in 1986 because it would dilute funds available for currently authorized areas and because the program is proposed for termination by the end of FY 1987.

Mr. WHITTEN. What is the current interest rate on resource conservation and development loans?

Mr. SCALING. The current interest rate for resource conservation and development loans made by the Farmers Home Administration is 11.070 percent.

Mr. WHITTEN. How many loan applications were there in fiscal year 1985? Please list.

Mr. SCALING. Two applications for loans were received in fiscal year 1985. They were for the Big Horn Canal Association in Wyoming and the Westland Irrigation District in Oregon.

Mr. WHITTEN. How many applications are pending and will not be processed as a result of your proposal for fiscal year 1986?

Mr. SCALING. At the beginning of this fiscal year, there were three loans pending. During fiscal year 1986, we expect to receive four additional loan applications and make two loans. This will leave five applications pending at the end of fiscal year 1986, and these would not be processed in fiscal year 1987.

AUTOMATION OF SCS FIELD OPERATIONS

Mr. WHITTEN. Please provide for the record a detailed status report of the SCS efforts for automating SCS field operations. Include in the status report any cost-benefit ratio and projected total cost by year.

[The information follows:]

SCS Field Operations Automation

A status report of SCS effort for automating SCS field operations is provided for the record.

SCS received technical approval from the USDA Office of Information Resources Management on June 12, 1984 for our plan for automating SCS field operations: Field Office Communications and Automation System (FOCAS). GSA delegated procurement authority to USDA for a joint SCS and FmHA procurement of automation equipment on August 30, 1984. The joint request for proposals (RFP) was issued by USDA November 17, 1984. The contract was awarded September 10, 1985 to Electronic Data Systems Corporation (EDS) to supply microcomputer-based office automation systems.

In fiscal year 1985, SCS placed delivery orders for 441 systems totaling $13.4 million with the contractor EDS. These systems are being delivered nationwide to SCS offices: National Headquarters (NHQ), National Technical Centers (NTC), State Offices (SO), Area Offices (AO), and Field Offices (FO) as shown in the insert. (Appendix A, from the SCS equipment installation guidelines, "Implementating FOCAS Part 2: Putting FOCAS to Work.")

SCS is acquiring four types of training from the equipment contractor, EDS, for a cadre of personnel (610 managers and technicians) to support the automation project at a cost of $404,000.

(1) Senior management overview, 140 employees.
(2) ADP technical personnel to support field operation automation, 160 employees.
(3) Trainers to train SCS end users in equipment and software operation, 160 employees.
(4) Other technical specialists, 150 employees.

General purpose software being procured from the contractor will provide capabilities in automated word processing, spreadsheet analysis, data base management, business graphics, project management, calendaring and scheduling and digitizing map data. SCS is using these packages to develop customized software for field office soil conservation planning and application. A pilot test of this customized software was completed in December 1985. This software is now being adapted to the contract equipment and field tests of the software are planned to start in June 1986 in 20 field offices equipped with the new computers. The implementation of this customized software is planned for all field offices with computer equipment (approximately 300) during the fall of 1986.

When SCS performed the benefit-cost analysis for the field operations automation project (FOCAS), the 10-year project benefits were calculated at $459.5 million ($289.4 million present value) and the 10 year project costs were calculated at $228.5 million ($163 million present value) for a benefit-cost ratio of 1.78 based on present value dollars. The calculated benefits were based solely on increase in personnel productivity and did not include the value of soil erosion prevented due to the increase in productivity. Nor did it include the intangible benefit of improved quality of conservation planning tools provided to the land owner.

The projected equipment and general purpose software acquisition cost for the FOCAS project by fiscal year is as follows in millions:

FY 85	FY 86	FY 87	FY 88	FY 89	FY 90	Total
$13.4	$5.0	$11.5	$12.5	$12.5	$7.5	$62.4

The actual acquisition levels depend mainly on the funding levels for the agency. The large reduction in fiscal year 1986 acquisition is a reflection of the effect of the deficit reduction act. Other significant associated projects costs include (1) customized software costs of $10 million during the 5-6 year implementation period; about half is projected to be contracted and half in-house development. (2) Data communication costs related to FOCAS will increase from about $1 million per year up to about $5 million per year when the project is fully implemented. (3) Equipment and general purpose software maintenance costs are projected to increase up to $4 million per year when equipment installation is completed. (4) Other non-personnel costs, including supplies and utilities, are projected to increase up to a level of about $3 million per year.

APPENDIX A: SUMMARY OF FOCAS EQUIPMENT PURCHASED IN FY 1985

National Summary

SCS offices	Total AO's	Total FO's	Total area/field locations	FOCAS systems purchased			Percent of AO's & FO's implemented
				AO/FO	SO	Total	
NE total	23	326	349	38	26	64	11
Midwest total	67	997	1,064	58	24	82	5
West total	32	430	462	86	26	112	19
South total	89	1,131	1,220	120	26	146	10
State total	211	2,884	3,095	302	102	404	10
NHQ						25	
NENTC						2	
MNTC						3	
WNTC						4	
SNTC						3	
Total FY 1985						441	

Summary Northeast NTC area

SCS offices	Total AO's	Total FO's	Total area/field locations	FOCAS systems purchased			Percent of AO's & FO's implemented
				AO/FO	SO	Total	
Connecticut	0	8	8	1	2	3	13
Delaware	0	3	3	2	2	4	67
Maine	0	18	18	1	2	3	6
Maryland	2	24	26	3	2	5	12
Massachusetts	0	11	11	6	2	8	55
New Hampshire	0	11	11	6	2	8	55
New Jersey	2	13	15	1	2	3	7
New York	5	61	66	5	2	7	8
Pennsylvania	5	26	31	5	2	7	16
Rhode Island	0	3	3	1	2	3	33
Vermont	0	12	12	2	2	4	17
Virginia	5	77	82	3	2	5	4
W. Virginia	4	59	63	2	2	4	3
NE Total	23	326	349	38	26	64	11

AO - Area Office
FO - Field Office

Summary Midwest NTC area

SCS offices	Total AO's	Total FO's	Total area/field locations	FOCAS AO/FO	systems SO	purchased Total	Percent of AO's & FO's implemented
Illinois	7	98	105	9	2	11	9
Indiana	6	91	97	1	2	3	1
Iowa	2	101	103	7	2	9	7
Kansas	6	105	111	4	2	6	4
Michigan	5	68	73	2	2	4	3
Minnesota	7	90	97	3	2	5	3
Missouri	8	102	110	1	2	3	1
Nebraska	6	81	87	9	2	11	10
N.Dakota	5	52	57	5	2	7	9
Ohio	6	87	93	7	2	9	8
S.Dakota	4	62	66	3	2	5	5
Wisconsin	5	60	65	7	2	9	11
Midwest total	67	997	1,064	58	24	82	5

Summary West NTC area

SCS offices	Total AO's	Total FO's	Total area/field locations	FOCAS AO/FO	systems SO	purchased Total	Percent of AO's & FO's implemented
Alaska	0	4	4	2	2	4	50
Arizona	2	23	25	26	2	28	100
California	6	59	65	11	2	13	17
Colorado	5	56	61	5	2	7	8
Hawaii	0	8	8	4	2	6	50
Idaho	3	45	48	7	2	9	15
Montana	4	54	58	2	2	4	3
Nevada	0	13	13	3	2	5	23
New Mexico	4	46	50	4	2	6	8
Oregon	3	35	38	4	2	6	11
Utah	0	11	11	2	2	4	18
Washington	4	40	44	7	2	9	16
Wyoming	1	36	37	9	2	11	24
West total	32	430	462	86	26	112	19

Summary South NTC area

SCS offices	Total AO's	Total FO's	Total area/field locations	FOCAS systems purchased AO/FO	SO	Total	Percent of AO's & FO's implemented
Alabama	5	71	76	8	2	10	11
Arkansas	7	75	82	5	2	7	6
Florida	4	56	60	4	2	6	7
Georgia	6	84	90	6	2	8	7
Kentucky	6	120	126	9	2	11	7
Louisiana	5	52	57	2	2	4	4
Mississippi	7	81	88	15	2	17	17
N.Carolina	6	101	107	27	2	29	25
Oklahoma	9	90	99	4	2	6	4
Puerto Rico	0	16	16	7	2	9	44
S.Carolina	4	46	50	12	2	14	24
Tennessee	8	95	103	7	2	9	7
Texas	22	244	266	14	2	16	5
South total	89	1,131	1,220	120	26	146	10

TRUST FUND AGREEMENTS

Mr. **Whitten**. Please explain in detail the Trust Fund agreements SCS has with State and local organizations and others for watershed protection and resource conservation and development activities.

Mr. **Scaling**. Currently, the Service is under Trust Fund agreements in 10 States and issued a total of 15 agreements in FY 1985. Of these, nine are recurring agreements from prior years, and six are new.

The Trust Fund Program is not an appropriation account, the Budget Authority for the actual fiscal year simply represents the actual receipts to the fund. I will provide for the record a listing of current agreements with State and local organizations and others.

[The information follows:]

EXAMPLES OF TRUST FUND AGREEMENTS

Sponsor	Purpose	Fiscal year 1985 Number of Agreements	
		New	Old
Alabama Executive State Committee and State of Alabama.	To benefit ongoing Watershed Planning Projects throughout the State of Alabama.	0	1
Alabama Executive State Committee and State of Alabama.	Accelerate Soil Surveys to benefit total State	0	1
St. Claire County—Pell City and State of Alabama	To benefit Pell City—Recreational Park Facilities	0	1
State of Indiana	Recurring Soils agreement with State	1	0
State of Louisiana and Soil and Water Conservation Committee.	In preparation of Watershed Protection Work Plans	1	1
State of Mississippi, Bahala Creek Watershed	Repair of Hood Water Retarding Structure—Recreation Facilities.	1	1
State of Mississippi and Corps of Engineers	Perform preliminary work on North Tillatoba—Hunter Creek.	1	1
Mississippi	Accelerate Soil Surveys	2	1
State of Mississippi	Channel Improvements and Stabilizations	0	1
State of New Jersey	RC&D Measure	0	1

FISCAL YEAR 1987 CURRENT SERVICES OBJECT CLASS

Mr. **Whitten**. For the record provide and object class table that would reflect current services for conservation operations, river basin surveys and investigations, watershed planning, watershed and flood prevention operations, Great Plains conservation program, and resource conservation and development.

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE
FISCAL YEAR 1987 CURRENT SERVICES OBJECT CLASS
(Dollars in Thousands)

OBJECT CLASS	CONSERVATION OPERATIONS	RIVER BASIN SURVEYS & INVESTIGA.	WATERSHED PLANNING	WATERSHED & FLOOD PREVENTION OPERATIONS	GREAT PLAINS CONSER. PROGRAM	RESOURCE CONSER. & DEVELOP.	TOTAL SCS
DIRECT OBLIGATIONS:							
11.1 Perm. Full Time....	$244,652	$8,643	$5,881	$52,875	$6,283	$10,586	$328,920
11.3 Other than PFT.....	7,000	271	108	2,164	113	697	10,353
11.5 Other Pers. Comp...	1,521	65	32	1,931	25	118	3,692
11.9 Total Pers. Comp...	253,173	8,979	6,021	56,970	6,421	11,401	342,965
12.1 Personnel Benefits.	37,633	1,230	820	8,199	943	1,698	50,523
13.0 Former Pers. Ben...	377	41	7	95	11	20	551
21.0 Travel - Persons...	8,367	430	361	2,194	219	367	11,938
22.0 Transport - Things.	2,985	106	36	539	79	75	3,820
23.2 Other Rent.........	11,072	137	79	2,450	236	348	14,322
23.3 Commun & Utilities.	14,271	355	282	1,278	308	479	16,973
24.0 Print & Reproduct..	3,016	142	92	387	30	1	3,668
25.0 Other Services.....	16,184	844	287	18,834	397	1,280	37,826
25.0 Contracts..........	0	0	0	68,299	0	3,809	72,108
26.0 Supplies & Material	9,455	191	122	1,972	246	535	12,521
31.0 Equipment..........	10,642	1,237	607	5,666	398	915	19,465
32.0 Land & Structures..	32	0	0	2	0	0	34
41.0 Grants.............	0	0	0	66,257	12,690	4,914	83,861
42.0 Insurance claims...	79	0	0	15	0	2	96
44.0 Refunds............	0	0	0	0	0	0	0
99.0 Total, Direct Oblig	367,286	13,692	8,714	233,157	21,978	25,844	670,671
99.0 REIMBURSABLE OBLIG.	39,000	1,000	750	8,600	60	2,000	51,410

	OBJECT CLASS	CONSERVATION OPERATIONS	RIVER BASIN SURVEYS & INVESTIGA.	WATERSHED PLANNING	WATERSHED & FLOOD PREVENTION OPERATIONS	GREAT PLAINS CONSER. PROGRAM	RESOURCE CONSER. & DEVELOP.	TOTAL SCS
	ALLOCATION ACCOUNTS:							
11.1	Perm. Full Time....	0	805	135	1,962	0	191	3,093
11.3	Other than PFT.....	0	11	2	520	0	1	534
11.5	Other Pers. Comp...	0	1	0	99	0	0	100
11.8	Spec. Pers. Svc Pay	0	0	0	5	0	0	5
11.9	Total Pers. Comp...	0	817	137	2,586	0	192	3,732
12.1	Personnel Benefits.	0	134	24	364	0	24	546
13.0	Former Pers. Ben...	0	2	0	73	0	0	75
21.0	Travel - Persons...	0	106	20	128	0	19	273
22.0	Transport - Things.	0	12	0	43	0	1	56
23.1	SLUC...............	0	43	9	74	0	12	138
23.2	Other Rent.........	0	1	0	291	0	4	296
23.3	Commun & Utilities.	0	23	4	0	0	10	37
24.0	Print & Reproduct..	0	6	0	8	0	1	15
25.0	Other Services.....	0	111	31	786	0	7	935
25.0	Contracts..........	0	0	0	0	0	0	0
26.0	Supplies & Material	0	10	3	249	0	1	263
31.0	Equipment..........	0	8	2	36	0	2	48
32.0	Land & Structures..	0	0	0	70	0	0	70
41.0	Grants.............	0	0	0	0	0	594	594
42.0	Insurance claims...	0	0	0	0	0	0	0
43.0	Interest & dividend	0	0	0	2	0	0	2
44.0	Refunds............	0	0	0	0	0	0	0
99.0	Total, Allocation..	0	1,273	230	4,710	0	867	7,080
99.9	TOTAL, SCS.........	$406,286	$15,965	$9,694	$246,467	$22,038	$28,711	$729,161

NOTE: Current services estimates for 1987 are based on 1986 enacted funding levels and reflect inflation adjustments of 4.1% for nonsalary operating costs and 4.4% for Federal non-residential construction costs. The estimates do not reflect any planned Federal salary adjustments or the 1986 Gramm-Rudman sequester.

Mr. WHITTEN. Mr. Myers.

Mr. JOHN MYERS. Well, thank you, Mr. Chairman; and, cousin Peter, welcome back to the Committee.

Mr. PETER MYERS. Thank you, Cousin John.

Mr. JOHN MYERS. I will try to be nicer to my cousin than the Chairman was. I halfway held my hand up.

Mr. PETER MYERS. Halfway?

Mr. JOHN MYERS. Well, everybody wants to go to heaven and nobody wants to die.

Mr. WHITTEN. His left hand.

[Laughter]

Mr. JOHN MYERS. I am nobody's fool; I know we are not going to adopt the budget, never have. The President's budget has always been a guideline the years I have been here, about as long as the Chairman and Mr. Natcher and Mr. Smith.

It has always been a guide; it is always dead on arrival; we always take the President's budget and tear it all to pieces. I did not vote for Gramm-Rudman either and most of the members of this Committee did not, but we still have to live with it one way or the other. The other is what really bothers me about Gramm-Rudman.

Nevertheless, soil conservation, of course, is one of the vital concerns of this Subcommittee, as the Chairman says who has been on this Committee for many many years and is vitally concerned, and the rest of us who are johnnie-come-latelys to this Committee are just as concerned but don't have the experience and background that the Chairman has.

IMPACT OF THE CONSERVATION RESERVE PROGRAM

I am interested in the new farm program, as we all are: what the costs are going to be. Your projection here of taking erodable land and land that should never have been farmed in the first place and taking it out of production, is that going to happen this year or is that down the road a ways where this land will actually be taken out of production?

Mr. PETER MYERS. That will start this year.

Mr. JOHN MYERS. Start; to a measure it will.

Mr. PETER MYERS. We are hoping to bring five million acres into the program this year. This will not impact the agricultural productivity of the country that much, but it will get some highly erodible land out of production. That is really what the conservation reserve is aimed at: getting highly erodible land out of production.

In the first few years, it will not impact the supply of agricultural commodities. Ultimately, if we get the entire 40 million acres into the program, this would be 10 percent of the 421 million acres of cropland out of production over a five-year period. It should help bring crop prices up to some degree. That will be a side benefit.

Mr. JOHN MYERS. Will that, in effect, reduce the requirements that Soil Conservation has for other programs? Will that reduce your responsibility somewhat?

Mr. PETER MYERS. We will need to provide just as much or more technical assistance. That is one reason we have asked for a little more money in the Conservation Operations part of the budget. In the process of implementing this program, we will have to do a soil and water Conservation plan for every one of those farms that participate.

In addition, the sod-buster and the conservation compliance sections of the farm bill will also increase the need for conservation technical assistance: the SCS technician working one-on-one with the farmer and the rancher. It will increase the need for conservation districts all over the country to take a more active role.

Mr. JOHN MYERS. I often think about a friend of mine who was not on the farm farming. He was a non-operating owner of a farm operation of, I will say, 20 acres. I don't recall the exact number of acres, but it was wooded land and rolling, and he got in one of the programs and cut the timber off at Government expense.

Then it was land that was untillable. Then he got various farm programs. He limed it, he tiled it, and got into the farm programs this way. He paid for that land about three times under Federal programs.

I often think about that. That was land that should never have been under till in the first place. I think I told you this story last year: that I went back to my home county, back in Indiana, with my brother-in-law and drove by a farm my father owned years ago, and it was a pasture.

My father had cattle there when I was a little kid. We used to go out and learn to milk on this pasture at the edge of town. I had not been out that road for a couple, three years.

We went out to this pastureland that had been under pasture ever since it was freed from the Indians and there was soybeans planted in it. It is typical, I think to our area, that we have so much land that is not tillable.

If this program that you are advocating now will stop that, it will do a great many things. It will return the land back to its proper use, what I think should be proper use.

It has not been easy, but the farm programs have encouraged production on lands that should never been used for production in the first place.

BUDGET REQUEST FOR TECHNICAL ASSISTANCE

You say you will continue to have the full conservation technical assistance. You are not cutting back in your request here for technical assistance to operators.

Mr. PETER MYERS. No, we are increasing our request for technical assistance about the sequestered amount that we have in 1986.

Mr. JOHN MYERS. Now, your suggestion that you turn back the responsibility for conservation programs and measures back to state and local authority, have you tried that yet? Is there any success that you can cite us?

Mr. PETER MYERS. We have not turned the programs back, but some states are making significant contributions to conservation programs. Missouri, my home state, would be a good example. They are actually doing cost-sharing on conservation measures—waterways, tile outlets, terraces, and conservation tillage with state money raised through a sales tax.

So there are states that are picking this work up. Iowa is doing this; Minnesota is doing this; and a number of other states are joining in. When they recognize the importance of their soil and water resources, they are willing to spend state funds on controlling the erosion and doing something about the off-site impacts of erosion.

Mr. **John Myers**. Thank you for your testimony. Welcome aboard, Mr. Scaling.

Mr. **Scaling**. Thank you.

Mr. **Whitten**. I will recognize Mr. Natcher of Kentucky who has sat on this Committee for many years. He has to preside over another Committee where they have real money.

Mr. Natcher.

[Laughter]

Mr. **Natcher**. Thank you, Mr. Chairman.

FUNDING AND PERSONNEL REDUCTIONS

Mr. Myers, as our Chairman, Mr. Whitten, has pointed out, the amount that we agreed on for soil conservation for 1986 was $666,230,000. The amount we have before the Committee at this time is $350,582,000.

That is correct, isn't it?

Mr. **Scaling**. Yes, sir, that is the amount requested for technical assistance and the supporting programs that would be continued.

Mr. **Natcher**. Now, this $106,544,000 amount request for termination, how many employees are terminated, Mr. Myers? What is your number? Do you have that number there?

Mr. **Scaling**. Around 3,700 employees would be terminated.

Mr. **Natcher**. Around 3,700.

Mr. **Scaling**. Yes, sir.

Mr. **Natcher**. How much is the amount sequestered for the Soil Conservation Service? What is that figure, March 1 figure?

Mr. **Gardner**. $28.6 million was sequestered in fiscal year 1986.

Mr. **Natcher**. $28.6 million.

You know, Mr. Myers, as my Chairman has pointed out, he has been Chairman of this Committee and Chairman of the full Committee for a long time. We take this bill to the floor of the House and say to the Members in the House of Representatives that "We want you to take Soil Conservation down from $666,230,000 in 1986 to $350,582,000," it is going to be a right hard job, Mr. Myers. I say that to you frankly.

When you cut Soil Conservation—Extension $187 million, these other programs, the Loan Program and REA $666 million—and then go to the House with this bill, you have trouble, all kinds of trouble.

When my Chairman presents this bill, it would be a right difficult matter to say to the House that we recommend these cuts.

Mr. Myers, thank you very much; and thank you, Mr. Chairman.

Mr. **Whitten**. Mr. Traxler?

Mr. **Traxler**. Thank you, Mr. Chairman.

USDA BUDGET REQUEST TO OMB

Mr. Myers, you said some things that made me feel good. One was that, in my judgment, your mark to OMB was well within reason and I think that it reflected what most people who are in the center would perceive as fairness given the Nation's economic difficulties.

Your request of OMB was how many million under your 1986 appropriation?

Mr. **Peter Myers**. The agency request was $622 million and our current 1986 estimate is $571 million.

Mr. **Traxler**. Is that not after Gramm-Rudman, after you have been Rudmanized?

Mr. **Gardner**. Yes, that is the amount after the Gramm-Rudman sequester and the proposed rescissions for Great Plains and for Watersheds.

Mr. **Traxler**. Yes. The appropriation by the Congress was how much?

Mr. **Peter Myers**. I want to clarify that, Mr. Traxler. The agency did request $622 million, but the Department asked OMB for $561 million for fiscal year 1987.

Mr. **Traxler**. Thank you. That is very helpful.

Let me compliment you on it. I hope that you fought diligently for the farmers of our country and for our soil.

Did you?

Mr. **Peter Myers**. Yes, sir. I did.

Mr. **Traxler**. Okay. Well, you are really getting up in my esteem.

Mr. **Peter Myers**. Thank you, but I am also fighting diligently for this budget request. There is reason for the Administration's proposed budget levels.

Mr. **Traxler**. Now you are going down in my esteem.

[Laughter]

Mr. **Peter Myers**. You cannot win them all, Mr. Traxler.

Mr. **Traxler**. You cannot win them all.

Let me walk through this with you. The Chairman and Mr. Natcher have been very helpful here, and I may be redundant.

CONTINUING PROGRAM COSTS

If I understand it, you are looking for about $350,582,000 for 1987, which was the OMB figure that was given to you, I assume.

Mr. **Peter Myers**. Can I clarify that, also?

Mr. **Traxler**. Sure.

Mr. **Peter Myers**. The $350,582,000 is the amount that we would want for continuing operations.

Mr. **Traxler**. Yes.

Mr. **Peter Myers**. Our total request, of course, is $457 million which also includes money to terminate programs.

Mr. **Traxler**. We will get to the $107 million in a moment, and I appreciate your clarification.

We are talking about the $350 million.

Mr. **Peter Myers**. Yes.

Mr. **Traxler**. We are going to leave the $107 million aside because we recognize it is there, but that really is not for a program. That is to wind things down, terminate employees, severance pay; and you will tell me what all.

Mr. **Peter Myers**. That is correct.

Mr. **Traxler**. So, for program, we are looking at $350,582,000, which if my math is correct is about a 47 percent cut, then, of your 1986 appropriated level of about $666,700,000.

Mr. **Peter Myers**. That would be roughly correct.

PROGRAM PHASEOUT COSTS

Mr. **Traxler**. Yes. Then, in addition, you are requesting $107,104,000 for phase-out.

I guess what I am a little bit troubled about is when the dust settles, and if the Congress were to do this—and I sincerely hope my good friend and colleague, Mr. Natcher, is correct and I know if the Chairman has anything to say, this will not be the figure that will be in the bill that goes to the floor; and the Chairman certainly is going to have my support—if the OMB figure does stand, just to Michigan alone we are looking at a probable staff reduction of 20 percent.

I recognize you don't have this broken out by state; but are we in the ball park on that kind of a guess estimate?

Mr. **Peter Myers**. I would suspect we are.

Mr. **Gardner**. The exact reduction depends on the mix of programs in a given state.

Mr. **Peter Myers**. Yes, it depends on the mix of watersheds, soil surveys, and other SCS programs that each state administers.

Mr. **Traxler**. I guess what troubles me most is: How can we maintain technical assistance, the cornerstone, if we are making 20 percent reductions in personnel?

Mr. **Peter Myers**. We will maintain the people that work in the field with the farmers. We would not have the people that work on the specialized programs that are proposed for termination in the budget.

Mr. **Traxler**. We are going to be running a fairly barebones operation here?

Mr. **Peter Myers**. We would be running a tight operation, which I think we can do.

Mr. **Traxler**. What is going to happen next year when OMB says you have to take another $50 million out? What kind of operation are you going to have then?

Mr. **Peter Myers**. Obviously it would be tight.

Mr. **Traxler**. Right.

MINIMUM BUDGET LEVELS

Mr. **Peter Myers**. I cannot predict what anybody else is going to do. However, I feel very strongly that if we have to facilitate the programs that the 1985 Agricultural Adjustment Act has directed the Soil Conservation Service to do, we are going to have to have the minimum funding and staffing levels that we have presented today. Technical assistance must be provided for these programs: the conservation reserve, the sod-buster, the swamp-buster, and the conservation compliance programs.

Mr. **Traxler**. If the Committee, in its wisdom, and then the Congress in doing its budget resolutions, in its wisdom, were to make additional provisions for funding, could you reasonably and intelligently spend another $150 million, which is what you have requested?

Mr. PETER MYERS. I have great confidence that Mr. Scaling and the Soil Conservation Service could reasonably and intelligently spend the funds which would finally be appropriated.

Mr. TRAXLER. You don't believe that would be wasted money.

Mr. PETER MYERS. No, it would not be wasted.

Mr. TRAXLER. Well, you are spending more than that this year. Are you telling me you are squandering money this year?

Mr. PETER MYERS. No, we are not squandering the money.

Mr. TRAXLER. You could effectively utilize it in protecting the soil and water of this Nation.

Mr. PETER MYERS. If the Congress appropriated the funds and the President signed the bill, we would effectively spend the money.

Mr. TRAXLER. I have immense confidence, growing all the time, all the time.

I will have some additional questions and let me submit them to you for the record. It is always a pleasure to have your agency before the Subcommittee. You are one of the favorite subject areas of the Department of this Subcommittee.

We are awfully hopeful that we can do a little better for you than what you have requested. We hope that we can even approach something that you requested from OMB and which you believe, I assume at that point in time, was necessary to protect the water and soil of this Nation; and I hope that we can work together to achieve that purpose.

Mr. PETER MYERS. I know we can work together.

Mr. TRAXLER. Oh, I mean for good soil conservation.

Mr. PETER MYERS. Absolutely.

SAGINAW SOIL SURVEY

Mr. TRAXLER. Can you give me an update on what is happening with the soil conservation efforts in Saginaw County, Michigan?

Mr. SCALING. The Saginaw County, Michigan, soil survey project was initiated in June 1985. This project is currently staffed by three SCS soil scientists with the expectation that one county soil scientist will be added in early 1986. As in other projects in Michigan the county shares the cost. Saginaw County has made a commitment to a total cost of $193,000 over a six-year period.

Current plans project completion of field mapping in December 1989.

MICHIGAN BACK IRRIGATION STUDY

Mr. TRAXLER. We provided you with a specific $60,000 to be used for the conduct of a back irrigation project under your conservation operations. I understand that these funds were recently provided to Michigan for the project. Can you tell us what the project design will be?

Mr. SCALING. Within the Saginaw Bay area, there is great interest in subsurface irrigation. Some farmers have systems installed and report significant yield increases. It is likely that subsurface irrigation will continue to expand in this area rather rapidly, and many are concerned about water quality impacts and ground water recharge.

SCS is proposing to cooperate with the Michigan State University to identify the probable impacts widespread subirrigation may have on surface and subsurface water demand and availability; rural and nonpoint sources of pollution; and economic, social and political effects. Existing data will be used to complete this study.

Mr. TRAXLER. Do you have any idea as to how widespread the results of this study could be applied?

Mr. SCALING. Until we analyze the existing data, we cannot be sure how widespread the results of this study may be applied. We do know that the Saginaw Bay Area is somewhat unique in terms of soil, climate, and location, with respect to the Great Lakes. This uniqueness may limit the applicability of study findings.

Mr. TRAXLER. Have you requested any funds for the continuation of this project in 1986 for this project.

Mr. SCALING. The budget for FY 1987 includes the $60,000 that was provided in 1986 for this project.

Mr. Traxler. Does the funding for this project appears to be adequate, and if not, what dollar amount do you understand to be needed?

Mr. SCALING. At this point in time, we believe $60,000 is adequate to complete the study as proposed.

Mr. TRAXLER. I understand that there has been some discussion regarding the need for a full-time coordinator for this project. The cost of such a coordinator is estimated at an additional $40,000. What is your professional staff's view regarding the value of such a coordinator?

Mr. SCALING. We do not believe a full-time coordinator is needed for the SCS portion of the study.

RESOURCE CONSERVATION AND DEVELOPMENT PROGRAM

Mr. WHITTEN. Mr. Rogers?

Mr. ROGERS. Thank you, Mr. Chairman.

Gentlemen, welcome to the Subcommittee.

Let me mention a deep concern about the RC&D program. It seems to me that the RC&D is the only source of funds and expertise for improvements on non-private lands; and I suspect every one of our districts and practically all of them in the country, except the very urban ones, has the kind of problems that RC&D has been designed to assist.

Now, if RC&D is eliminated where are those schools other users going to turn? I know you are going to say the state, but, you know, that has been an empty coffer all these years.

Where would they turn?

Mr. PETER MYERS. They would basically have to turn to their own local communities for assistance. Of course, the function of a good RC&D coordinator is to work with the local people to facilitate the projects that they want to do. They would have to turn to their own resources. They may not have to hire a coordinator, maybe some civic leader would step forth to do the job.

This is what RC&D is all about: rural development. They would have to do this without the paid professional coordinator now furnished by SCS.

Mr. **Rogers**. Well, I hear you and that is what RC&D is doing now, is involving the local people and the local organizations and local money in many cases. But the national program has been essential in bring out those resources.

Without the RC&D program, those things just wouldn't happen: I just wanted to register a point, that doing away with RC&D is really, in my judgment, one of the most severe things that we could do in this budget.

Now I'd like to talk with you about the Emergency Watershed Program. Let me hear what your justification is for eliminating that program, other than dollars.

EMERGENCY WATERSHED OPERATIONS

Mr. **Peter Myers**. The Emergency Watershed Program provides on-the-spot help for flood situations where Federal money is available. The Soil Conservation Service can go in and make initial judgments about the damage and provide assistance to prevent further threat to life and property.

Here, again, we would have to rely on the states to provide the funding for these emergency situations. SCS could provide the leadership and the technical help in emergency situations, but the states would have to provide the funds for debris removal and other assistance that the Emergency Watershed Program now provides.

NEED TO CONTINUE FEDERAL WATERSHED PROGRAMS

Mr. **Rogers**. Well, in a state like Kentucky, which in 1984—I believe it was—had those heavy spring floods which were somewhat localized but covered a large area of the state, the state didn't have enough funds to meet the emergency. The communities, of course, had no funds with which to repair the damage along the streams and rivers.

It was a devastating wash. Without the Emergency Watershed Program, I think we would still be trying to get back into operation in some of those communities that got back in operation rather quickly with the aid of the Emergency Watershed Program.

There are just certain things that we simply cannot do without. I understand the budget constraints and what we are trying to do, and I voted for Gramm-Rudman. I'm probably one of the few on this Subcommittee that did. But, you know, there are certain things that I think have to be done and, to me, this is one of them.

Let me ask you about the Watershed Planning and Operation. I could ask you the same questions, I guess, and I suspect you would give me the same answers about justification for zeroing it out.

Would the answers be the same as on the Emergency Watershed Program?

Mr. **Peter Myers**. The answers would be the same, Mr. Rogers.

Mr. **Rogers**. Okay. Well, there is no point in me asking any further questions, then. Thank you, Mr. Chairman.

Mr. **Whitten**. Mr. Akaka.

Mr. AKAKA. Thank you very much, Mr. Chairman.

Mr. Scaling, in your testimony you talk about the rescission of $6.6 million from the Great Plains Conservation Program and also $60.4 million in unobligated construction funds under the Watershed and Flood Prevention operations account.

Now, my question to you is: We know that if Congress does not approve your rescission request in 45 days the Congressional Budget and Impoundment Control Act requires that these be expended as Congress originally directed.

Mr. SCALING. Yes, sir, that is correct.

Mr. AKAKA. Assuming that Congress does not grant your rescission request, how will you proceed to obligate these funds for these conservation programs?

Mr. SCALING. We will start up the programs again and continue to fund new contracts.

Mr. AKAKA. Right now, according to your plans, $457.7 million is being requested for FY 1987. You are using $350.6 million for conservation operations nationwide and phasing down cost of $106.5 million.

Now, in case this is not passed by Congress, the funds will be available for you, you say that you will continue with the programs.

Mr. SCALING. We will restore the programs and we will continue business as usual.

Mr. AKAKA. Oh, I see, without the proposed cuts.

Mr. SCALING. Let Bill Gardner answer your question. He can explain some of the budget details a little bit better than I can.

Mr. GARDNER. Mr. Congressman, the budget proposal still stands to terminate the Watershed Program, in fiscal 1987. If the funds that are proposed for rescission in 1986 are released, we would obligate them and write contracts for Watersheds and for Great Plains. We would honor those obligations and complete the construction contracts.

But in terms of new contracts, they would not be part of the proposal for 1987 in any event.

Mr. AKAKA. As has been mentioned by our Chairman and other members of this Committee, in a sense soil conservation is one of our pets. If we could, we would put all the money that you need into this agency.

Last year, I was on a hearing trip to some of the southern states. One thing that came strong was, don't cut soil conservation. People feel that that is the guts of the farm program.

Coming away with that, I feel strongly—again, with other members of this Committee—that we need to do as much as we can to help the farmers of our country through this particular program; and I have wondered, over the years, about the accomplishments of soil conservation.

To even try to get an idea, how much additional flood damage and erosion have we controlled across the country through this program in the past year? Would you have any information to that?

Mr. SCALING. Yes, sir.

Mr. **Akaka**. Just provide it for the Committee if you don't have it.

Mr. **Scaling**. We can provide that for the Committee, then.

Mr. **Akaka**. Fine.

[The information follows:]

Soil Conservation Service key program accomplishments, fiscal year 1985

Decision makers receiving technical assistance	942,681
Acres improved through conservation technical assistance	64,440,771
Tons of soil erosion reduced	230,532,440
Flood damages prevented for watershed project measures installed in 1985 (estimate)	$205,000,000

FARMER APPRECIATION FOR THE SOIL CONSERVATION SERVICE

Mr. **Akaka**. Another interest I have because of my being out there and talking directly to these farmers, have you received letters from farmers and local project sponsors expressing their appreciation for the help that Soil Conservation has given to the Watershed and Floor Prevention Programs?

Mr. **Scaling**. We get appreciation from local people for everything we do.

Mr. **Akaka**. I see. Now, if it were possible—and this is just for me because I would like to use it if I can—would you highlight one or two of these kind of letters? I certainly would like to have that for the record.

Mr. **Scaling**. For the record? Yes, sir.

Mr. **Akaka**. Thank you very much.

The Resource Center for Environmental Education,
Coconino NRCD,
Flagstaff, AZ, April 16, 1985.

James Alam,
Soil Conservation Service, Flagstaff, AZ.

Dear Jim: The Resource Center continues to serve thousands of adults and children throughout Coconino County each year. Without your assistance and the support of the Soil Conservation Service, many of our programs would be impossible and our services would be extremely limited.

This year's Arbor Day program (April 1–5) was another example of your dedicated support. Over 1,000 seedlings were planted in five school districts. Hundreds of schoolchildren attended our Arbor Day programs in Williams, Parks, Sedona, Flagstaff, Chevelon, and Tuba City. Your help in providing these programs was essential. Specifically, thank you for your willingness to transport larger trees and to roll up your sleeves and "get dirty" during our programs in Tuba City. As usual, you offered your help wherever it was needed.

Your commitment to environmental education and public service is unsurpassed in our community. The success of the Resource Center and its unique services are largely the result of your personal efforts. We sincerely appreciate your support.

Best wishes,

Roger Clark.

I commend the Soil Conservation Service for its all-out efforts on behalf of erosion control within the City of Jackson. The handling of the Emergency Watershed Project in Jackson was an excellent example of intergovernmental cooperation for the benefit of the public. We appreciate the liaison between the City's Public Works Department and the Soil Conservation Service. Major erosion problems affecting large numbers of property owners were handled with professionalism and efficiency and I commend the Soil Conservation Service, as well as the Jackson Public Works Department and the Hinds County engineering personnel, for a job well done. Difficult challenges along our major drainage basins were handled with the utmost concern for area residents.

DALE DANKS, Jr.,
Mayor, City of Jackson.

EDWARD AND LOLA NEWTON,
Winkleman, AZ, February 6, 1984.

VERN BATHURST,
Conservationist, Soil Conservation Service, Phoenix, AZ.

DEAR MR. BATHURST: This letter is to thank all of those concerned for reconstructing the dike at our home on Aravaipa Creek (which was severely damaged by the flood in October 1983). From our first contact at Central Arizona College, the SCS has been extremely helpful. Your staff in Phoenix assisted us in processing the necessary paperwork; Steve Jones helped with the permits; and Steve along with Wayne McAllister supervised construction of the dike.

We want to express our thanks to you and your staff for improving our sense of security, physical and psychological, at Aravaipa. It was very traumatic to see our retirement almost "go down the creek," and the restoration of the dike was a tremendous boost for all of us.

We are especially grateful to Steve and Wayne for the site work and for their positive and helpful attitude—wish that all government employees could deal that well with the public.

Sincerely,

ED AND LOLA NEWTON.

BENCHMARK PROPERTIES, INC.,
June 26, 1984.

ED SCHWILLE,
Rowlett, TX.

DEAR ED: Thanks for all the help you have given me. Of all the various so called experts, I have had help me at the ranch, you are head and shoulders above them. Your professional and pragmatic approach brought some desperately needed practical help to the Flat Iron Ranch.

Thank you again, my friend, and may the good Lord bless you and your family. Come and visit, and we will dunk a few ole bass!

Warmest personal regards.

RAY C. WILLIAMSON.

Note: Ed Schwille is an SCS Biologist assigned to the Terrell, Texas Area Office.

CONSERVATION RESERVE PROGRAM

Mr. WHITTEN. Mr. Durbin?

Mr. DURBIN. Thank you, Mr. Chairman. I only have one question, or comment, very briefly.

In my home state of Illinois, we have about three million acres of cropland that qualifies for the Conservation Reserve program. It is estimated that about 900,000 acres cannot be brought within the erosion tolerance level, the T level, unless they are entirely removed from production.

A total of 10 million of the state's 24 million acres of cropland, however, are suffering from erosion that exceeds acceptable T values.

When I hear that you are going to offer only technical assistance and I listen to my farmers and the economic problems they are facing today, I don't think it is realistic to suggest that this program is going to address the needs in Illinois.

Do you see any hope that our soil conservation needs can be met in light of the figures I have just given you?

Mr. **Peter Myers**. Very definitely, especially in Illinois, Congressman Durbin. With the reserve taking that 900,000 acres of land that should not be cropped out of production, we can deal with these needs by using conservation tillage on the balance. If we can convince these farmers to do that, we can do a very efficient job in Illinois. I think we are doing a good job there right now, and we can continue to do so in the future.

The State of Illinois is another state that is very aggressive with their state soil and water conservation program and they should be complimented for it.

Mr. **Durbin**. We take great pride in it. It is also a matter of frequent discussion and concern when I meet with farm groups; but I think your targets are far short of the mark in terms of what we need in order to meet our goals in the State of Illinois.

Thank you, Mr. Chairman.

RESPONSIBILITY FOR IMPLEMENTING CONSERVATION PRACTICES

Mr. **Whitten**. Mr. Watkins?

Mr. **Watkins**. Thank you, Mr. Chairman. I'm sorry I'm late but, I have been on the phone talking with some farmers in Oklahoma during the last few minutes.

Having an agricultural background, lived on a farm, and tried to utilize soil conservation practices, I have a firsthand understanding of the fact that farmers don't have the resources to dedicate to conservation. The first thing that is dropped during an economic crisis is long-term conservation practices.

In my opinion we are as close to the days of the dust bowl, days of tremendous wind and water erosion because implementing conservation practices only comes when we make a profit. This has been brought about by the policies that we have followed.

It is really disturbing to see this Administration pushing for approximately 12 percent increase in military, 15 percent in foreign aid, and cutting the very subsistence of our country; the soil conservation program.

I share the Chairman's view. I don't believe this budget reflects your individual thinking. I gather that each of you have strong roots to the soil. You realize we cannot afford to let our topsoil freely erode.

I have been on the Committee long enough to have witnessed the Chairman and these other Committee members restore the necessary funding. Under Gramm-Rudman, we have tough choices to make and an even tougher situation on the President's budget.

I have talked to Oklahoma conservationists and we have a tremendous backlog of work to be done. How do we meet the needs with this budget? I like to think the State of Oklahoma has been in the forefront on soil conservation. We have taken it as a stewardship, as a very nearly spiritual feeling about trying to be good stewards of the land.

How do we continue to be a good steward? Are we going to say it is the farmers' total responsibility?

TECHNICAL ASSISTANCE AND WATERSHED ASSISTANCE

Mr. **Peter Myers**. No. We are going to meet these needs with technical assistance, which we have asked to be increased, in fiscal year 1987, Mr. Watkins.

Now, in reference to the watershed program. It will be more difficult to come up with the Federal money. The states that feel flood control is important will have to use state money.

We don't intend to back off from working and meeting the needs of the individual farmer and rancher. We intend to be right there with an aggressive conservation technical assistance program.

Mr. Scaling is very familiar with that being from Texas, which has the same type of program.

Mr. **Watkins**. Are you in favor of reorganizing USDA?

Mr. **Peter Myers**. There have been a number of reorganization proposals. I know you had some interest in the USDA streamlining study that the Department has been working on in the last six months. There are many options identified in the study but no decisions have been made.

Mr. **Watkins**. Let me assure you, my reorganization plan would strengthen soil conservation, not hamstring it from being able to carry out its duties. I am glad to hear that you realize the technical assistance must be there for the individual farmer.

There are some states such as Texas, Oklahoma, Louisiana, that are fiscally broke and could not under any circumstance bear the responsibility for conservation efforts phased-out in this budget.

I have been working on one particular SCS Project and the in-house bureaucracy is getting me quite concerned and worried. I have been working on the North Deer Creek Watershed for several years since I have been in Congress. After numerous checks on the project, it always seems to never be receiving the attention needed.

Has the North Deer Creek Watershed Project returned from Oklahoma for the second or third time?

NORTH DEER CREEK WATERSHED

Mr. **Scaling**. I would ask Joe Haas, who formerly was Deputy Chief for Programs to answer your question.

Mr. **Watkins**. All right. I am familiar with the face.

Mr. **Haas**. You are right, North Deer Creek has been considered a number of times. At the present time, I think it is in the Oklahoma State office.

Mr. **Watkins**. Does it concern any of us about how long it takes for approval? Is there concern about the lack of personal commitment from someone in the bowels of the agency to make sure something moves forward?

I have inquired about North Deer Creek for several years now. I would like to think, Mr. Myers, that someone would be concerned enough about it to make sure it gets processed. I know it must go to OMB for approval.

When it returns from Oklahoma how long will it take to get it to OMB?

Mr. **Peter Myers**. It depends on what has to be done to it, and I am not familiar with that watershed. We can find out the details on this and let you know for the record.

Mr. **Watkins**. I hope that we are clear in the communication between the national office and the state office and that we have all of the T's crossed, I's dotted and the blanks filled out so surely we don't have to send it back once more.

Mr. **Peter Myers**. As you are well aware, there are things like environmental impact statements and mitigating plane, and there are a lot of other things along these lines that must be done with each project. We have to make sure that these watershed projects satisfy each requirement before they go on to OMB.

I honestly don't feel that it is the technical people and the watershed staff in Washington that are holding up this project. I say that just from a knowledge of the competence of that watershed staff.

I cannot tell you specifically about this particular watershed.

Mr. **Watkins**. What is the fastest time. Five or six years should be an ample amount of time to see that everything is in order and to complete the environmental study needed.

Mr. **Peter Myers**. It depends on the land rights which the local sponsors have to acquire and there are also a lot of other things that vary with each project.

I cannot tell you specifically on this one, but I can ask Mr. Scaling to find out and get you the information on this specific watershed. We will find out what the problem is and what the status is.

Mr. **Watkins**. I would appreciate it if you would.

Mr. **Peter Myers**. You will be provided the information.

Mr. **Watkins**. I know my good friend, Walt Wooley, regrets he could not be here. Earlier in the day, he told me to give you his greetings.

As you know Walt is very concerned about soil conservation matters, but could not stay for the hearing.

We have an emergency situation that is developing and that is the only hope that, maybe, we have to resolve that emergency. So I would like to encourage you to try, if you can, to get word back to me on when it can be returned and when it can be sent to OMB.

If I brought it back from Oklahoma this weekend under my arm and brought it down to you could someone look at it? Do you think you could get someone to check it?

Mr. **Scaling**. I will take care of it.

Mr. **Watkins**. You are a beautiful man.

Mr. **Scaling**. I will handle it; yes, sir.

OMNIBUS WATER BILL

Mr. **Watkins**. Thank you. I appreciate that.

I will not take a lot more time here, but have you reviewed the Senate Omnibus Water Authorization bill that includes provisions that would affect the Soil Conservation Service?

Have you evaluated that?

Mr. **Scaling**. I will let Galen Bridge answer that. Galen?

Mr. **Bridge**. Yes, we have taken a quick look at it.

Mr. **Watkins**. Galen, have you looked at Sections 205, 206 and 207 of Senate Bill 1567? That is their version of the omnibus water bill.

How would that affect SCS programs?

Mr. **Bridge**. There are two or three things in there that would impact SCS programs. First, if the projects exceed $10 million they have to be approved by Act of Congress.

There is another provision that requires that a certain percent of the benefits have to be agricultural. I don't recall what the other provisions are, but there are three or four of them.

Mr. **Watkins**. If you have evaluated that, what is your opinion on that particular change?

Mr. Chairman, I think this might affect us all if this goes through.

Mr. **Bridge**. I think we ought to supply that for the record. I really don't have that information here today.

Mr. **Watkins**. I think our Committee would have a tremendous interest in your response. I know several of us on this Committee personally would have that interest.

Thank you for your priority in looking into it.

Mr. Chairman, I did want to raise that question because I did want to highlight the fact that if that goes through we may have some serious concerns about our watershed program. Even if it is in place, we are going to have some real problems.

CONSERVATION RESERVE PROGRAM

Mr. **Watkins**. Do you anticipate a large sign up for the reserve and if so, are you prepared to expedite the process as quickly as possible?

Mr. **Scaling**. We expect sign up to be between 4 and 5 million acres in 1986. A light sign up is expected the first year because many farmers really have not had time to learn about the program and study the effects on their operation. We plan to handle the sign up by temporarily shifting personnel, if needed, and through the use of overtime.

CONSERVATION RESERVE PROGRAM

Mr. **Watkins**. In working with ASCS, do you have any indication of what level the sign up will be for the conservation reserve?

Mr. **Scaling**. Preliminary reports from the states indicate that between 4 and 5 million acres were signed up for the conservation reserve. We do not know how many acres will be accepted and contracted in the 1986 crop year. We will know the exact acreage contracted after all final eligibility determinations are made and all bids are reviewed and accepted by ASCS.

SCS SOIL STUDY

Mr. **Watkins**. What is the status of a special study being conducted by SCS in Oklahoma concerning the interpretation of soil surveys?

Mr. **Scaling**. SCS, through interagency agreements with the Bureau of Reclamation, U.S. Army Corps of Engineers and Oklahoma State University, has a commitment to provide interpretive soil maps and soil potential ratings in connection with this study. Our work is proceeding on schedule.

Mr. WATKINS. What does the study encompass and to what practical use will the results be applied?

Mr. SCALING. The study encompasses the location of irrigable or potentially irrigable soils in a 20-county area of Southeastern Oklahoma that have high potential for the production of horticultural and other speciality crops. The practical use of the results of this study would appear to be providing information to landowners, institutions and agencies concerning the extent and relative potential suitability of these soils for developing irrigated crop production enterprises.

Mr. WATKINS. When is the study scheduled for completion?

Mr. SCALING. SCS expects to deliver the required maps and tabular data by September 1986. The Bureau of Reclamation is providing the leadership on this study and has not indicated the final completion date.

GREAT PLAINS CONSERVATION PROGRAM

Mr. WATKINS. The budget proposal requests a rescission of funds for the Great Plains Conservation Program, a program that has expended over one-third of its funds during the last 29 years toward establishing permanent vegetation. What rationale is being used by SCS in requesting a rescission of this program when it primarily does the same thing the conservation reserve does in establishing permanent vegetation?

Mr. SCALING. The primary reason for requesting a rescission of GPCP is to reduce federal outlays. In the long term, effective implementation of the conservation reserve and sodbuster provisions of the Food Security Act of 1985 will more effectively deal with the problem of cropping excessively erosive land by concentrating on those lands with the worst erosion problems in all areas of the country.

Mr. WATKINS. Wind erosion reports made by UDSA during the last of calendar year 1985 can be a bit deceptive if an attempt is made to prove that further measures are no longer needed in the Great Plains area because of a decrease in wind erosion. Most of our land in this region had a good wheat cover due to good growning conditions. I think this should be noted, since this only reflects a measurement of the time period of two months.

COST SHARING FOR CONSERATION PROGRAMS

Mr. WATKINS. What level of funding was expended last year for cost-sharing of pond construction, and sprigging waterways and pasture, etc.?

Mr. SCALING. I will supply that information for the record.

[The information follows:]

The following is a breakdown of GPCP funds paid out in fiscal year 1985 for these practices:

	Amount	Percent of total
Establishing permanent vegetative cover for conversion of cropland to noncrop uses	$1,314,000	11
Cropland erosion control practices including terraces, waterways, field windbreaks, conservation tillage, etc	1,001,000	28

	Amount	Percent of total
Grassland improvement practices including water development, brush control, fencing in support of planned grazing systems	5,663,000	46
Total accounted for by above practices	7,968,000	85

The following information is taken from the Agricultural Conservation Program, Statistical Summary for fiscal year 1984. Data for FY 1985 is not yet available.

SUMMARY OF THE 1984 AGRICULTURAL CONSERVATION PROGRAM—SELECTED PRACTICES

Practice number and name	Cost-shares	Percent of U.S. total
SL1—Perm vegetative cover establishment	23,511,805	15.76
SL2—Perm vegetative cover improvement	13,528,574	9.07
SL4—Terrace systems	17,218,459	11.54
SL5—No-till systems	8,408,230	5.64
WP1—Send retention eros or water ctl struc	7,831,537	5.25
ACR1—Perm vegetative cover establishment	7,483,928	5.02
Total	77,982,533	55.28

COST-SHARING PROGRAM FUNDING

Mr. WATKINS. At what level are they in the budget for 1987?

Mr. SCALDING. The FY 1987 budget proposes to terminate funding for these USDA conservation cost-sharing programs.

Mr. WATKINS. SCS shifting priority for these traditional items of conservation to only the conservation reserve?

Mr. SCALING. SCS will be placing a high priority on servicing the Conservation Reserve program in 1986 and in future years as the program is put into place. We will continue, however, to provide a full technical assistance program on a nationwide basis to support state and local conservation programs and to meet national conservation needs under the constrained funding levels that are proposed for 1987 and beyond. We will also continue to honor existing commitments under the traditional USDA cost-sharing programs.

Mr. WATKINS. What kind of participation did you have in technical cost-share programs such as previously stated during the last fiscal year? Of the appropriate funds, were they totally expended?

Mr. SCALING. During fiscal year 1985, $190.3 million was obligated under the Agricultural Conservation Program and $21.5 million was obligated under the Great Plains Conservation Program, or about the same level as the 1985 appropriations for these two programs. For GPCP, 943 new contracts covering 2,145,000 acres were signed and assistance was provided on 5,987 contracts that were active at the beginning of the year. Statistics on the level of participation under the ACP are not available at this time.

Mr. WATKINS. Have we reduced funding for this account in recent years and if so why?

Mr. SCALING. Annual appropriations for both the Agricultural Conservation Program and the Great Plains Conservation Program have remained relatively constant for the past years.

Mr. WATKINS. Do you have more farmers wanting to participate in cost-share programs than that what there is funding provided for the program?

Mr. SCALING. As of October 1, 1985, there were 1521 active applications awaiting contracts under the Great Plains Conservation Program. SCS normally signs about 800 to 900 new contracrs annually. This enables us to meet the highest priority needs for assistance under this program. Specific data on the level of participation in the ACP program is not available, however, funding provided for this program is sufficient to address the most critical soil and water conservation needs.

INTER-AGENCY COORDINATION OF WATER PROGRAMS

Mr. WATKINS. What efforts has the SCS made to work with the Corps of Engineers and the Bureau of Reclamation to address water problems and assure no duplication of effort?

Mr. SCALING. The SCS has taken every necessary effort to cooperate fully with the Corps of Engineers and the Bureau of Reclamation and to address any mutual water resource problems and eliminate any chance of a duplication of effort. SCS contributes to or participates in Corps of Engineers and Bureau of Reclamation project planning as we are requested and very good relationships have resulted from these efforts.

DEEP FORK RIVER

Mr. WATKINS. I am deeply interested in the status of SCS involvement on the Joint SCS-Corps of Engineers project to solve the flooding and siltation problems on the Deep Fork River in southeast Oklahoma. As you know, after our Energy and Water Subcommittee Chairman Tom Bevill visted the area with me in the past, a decision was made that a joint effort between the SCS and the Corps of Engineers was needed to address this continuing problem.

What is the current and planned level of SCS involvement on the joint SCS-Corps of Engineers project to solve the problems on the Deep Fork River in Oklahoma?

Mr. SCALDING. SCS is cooperating fully with the Corps of Engineers by providing data on land treatment and upstream flood control and other requested information. A joint plan is being developed to control flooding and siltation in the Deep Fork Basin. At this time, it is unknown what the economic evaluation will be and whether or not federal financial assistance will be recommended.

Mr. WATKINS. Are you currently participating with the Bureau of Reclamation on the Canadian River and Tributaries Study in an effort to address this problem? If so, what is your level of participation?

Mr. SCALING. SCS is cooperating fully with the Bureau of Reclamation by providing information on land use, soils, potential irrigable lands, flood plains, and areas prone to flooding as well as the location of Bureau of Reclamation's proposed structures and their effects. Our participation is geared to the Bureau's schedule so that computer runs are made at Oklahoma State University and data furnished early enough for the Bureau to analyze effects in the study report.

Mr. WATKINS. What SCS programs are being considered for alternative ways to address the problem?

Mr. SCALING. Projects are being identified for upstream areas with concentrated flooding, erosion, and other water resource problems and where the benefits have been found to exceed the estimated cost. However, no SCS programs are being considered for implementation since the Small Watershed Program and Resource Conservation and Development Program are not recommended for funding next year.

Mr. WATKINS. Do you have ample SCS funding to accomplish these activities, and if not, are you receiving funds in ample amounts from the Corps of Engineers to supply this information to them?

Mr. SCALING. We are receiving reimbursement from the Corps of Engineers and the Bureau of Reclamation to cover planning activities that SCS has been requested to complete. The level of funding is sufficient.

Mr. WATKINS. How much funding would you need, either in SCS funds or from Corps of Engineers transfer of funds, to support the level of participation that is necessary to accomplish the goals of this project?

Mr. SCALING. The funds necessary to accomplish the planning goals of this project have been included in Corps of Engireers budget requests.

WATERSHED PLANNING

Mr. WATKINS. It is my understanding that the proposed North Deer Creek Watershed in Oklahoma is almost ready for OMB and congressional review. What is the status of this project, and how soon may we expect it to be ready to forward to OMB?

Mr. SCALING. The North Deer Creek Watershed Project Plan Environmental Impact Statement was transmitted to the Office of Federal Activities of the Environmental Protection Agency on March 6, 1986. The Notice of Availability should have been published in the Federal Register March 21, 1986. After the mandatory 30-day waiting period, the Record of Decision will be signed and filed. The earliest date we expect to be able to transmit it to OMB would be April 21st. Outside factors will affect this date such as getting sponsors signatures on plan.

Mr. WATKINS. When may we expect it to be forwarded to Congress for approval?

Mr. SCALING. The Administration will probably not consider forwarding any new plans to the Congress until Congressional action is completed on the FY 1987 Budget which proposes to terminate the program.

Mr. WATKINS. What obstacles stand in the way of prompt approval of this project?

Mr. SCALING. Besides the proposed elimination of the program, the provisional 20 percent agricultural benefit requirement in the Senate version of the Omnibus Water Authorization Bill—S. 1567—would prevent this project from being approved.

NORTH DEER CREEK WATERSHED

Mr. WATKINS. Providing there is project approval by OMB, what timetable does SCS have for fiscal year 87 on North Deer Creek?

Mr. SCALING. We do not have a timetable for starting work on North Deer Creek Watershed in fiscal year 1987 since the watershed program is proposed for termination. If approved, the local sponsors can undertake construction of the project with their own resources.

SAN BOIS CREEK WATERSHED

Mr. WATKINS. What is the status of San Bois Creek Watershed?

Mr. SCALING. The SCS transmitted the San Bois Creek Watershed to OMB on July 25, 1985, for their transmittal to the Congress. On February 19, 1986, OMB returned the documents to SCS along with two others pending congressional action on the 1987 budget proposal to terminate water project planning and financing activities of the SCS.

Mr. WATKINS. When will this project be ready for forwarding to OMB?

Mr. SCALING. We do not plan on resubmitting this project at this time as the Watershed Program is not recommended for funding in fiscal year 1987.

Mr. WATKINS. Providing there is project approval by OMB, what timetable does SCS have for fiscal year 87 on San Bois Creek?

Mr. SCALING. San Bois Creek is also a new project, so it will not be funded.

CAPPED PROJECTS

Mr. WATKINS. Last year, we discussed a number of projects that were caught with a ceiling on the amount that could be spent on the project. Many have not been completed because of the ceiling. Has action been taken so that construction can proceed on the projects in fiscal year 87?

Mr. SCALING. All federal funding for all watershed projects will be discontinued in fiscal year 87. Therefore we will discontinue work on the projects with a ceiling.

IMPACT OF SENATE OMNIBUS WATER AUTHORIZATION BILL

Mr. WATKINS. As you know, the pending Senate version of the Omnibus Water Authorization bill—S. 1567—includes some provisions that would affect SCS programs. For the record, please supply an analysis of how Sections 205, 206, and 207 of S. 1567 would alter current SCS programs. Please indicate what significant changes enactment of these provisions would cause in your programs. Also, please indicate whether you support these changes, and why or why not.

Mr. SCALING. Section 205 would require that all small watershed projects with a federal cost of over $10,000,000 be authorized by Act of Congress. The present limit for administrative approval of such projects is $5,000,000, not $250,000 as the present wording of Section 205 suggests.

The present oversight of project plans by the committees of Congress provides sufficient control of the approval of projects costing over $10,000,000. We do not support the proposal that all water resources projects having a federal cost exceeding $10,000,000 would require a separate Act of Congress unless Congress is willing to allow administrative approval for projects up to that cost.

Section 206 would require that at least 20 percent of the benefits of projects submitted to the Committees on Public Works be directly related to agriculture. We do not support this section because small watershed projects that reduce flood damages to rural communities are sometimes needed even though they may not be directly related to agricultural practices.

We believe that the state and local government agencies that sponsor the projects and the Department of Agriculture should have the flexibility to design the most appropriate mix of economical and environmental benefits to be derived from small watershed projects.

We do not agree with the provisions of Section 207 that would require a study to determine if private landowners should be required to permit public access to all small watershed project water impoundments that might have recreation-related potential. We do not believe that the property rights vested in private landowners by the Constitution should be forfeited just because federal funds are granted for small watershed projects. In many cases the landowners who would be required to allow such access are not the landowners who benefit from the water impoundments.

In view of this consideration, we do not believe there is a need to conduct the proposed study and that such a study would divert valuable resources from our high priority soil and water conservation activities.

UPPER MUDDY BOGGY CREEK

Mr. WATKINS. Specifically, what is the status of Upper Muddy Boggy Creek Watershed in Oklahoma?

Mr. SCALING. There are 36 structures in the Upper Muddy Boggy Creek Watershed. The conditional approval by the Public Works and Transportation Committee refers to the total Federal project cost. Twenty of the structures have been completed or are under construction in the project. Twelve more are designed. The local sponsors are continuing to obtain land rights for the project.

During the past year, the Justice Department gave us the opinion the Upper Muddy Boggy Creek Watershed was fully authorized for installation. OMB has reviewed the project with us, and has instructed SCS to proceed with installation since the benefit-cost ratio for the project is greater than 1:1.

Mr. WATKINS. What plan of action does SCS have in working toward construction and completion of this project?

Mr. SCALING. One contract has been awarded this year. Another contract is ready and will be awarded this fiscal year if funds are available. Two more sites will be ready for construction next year, however, these will have to proceed without Federal assistance. SCS will continue to give this project full consideration to continue installation upon approval to continue subject to program fund availability.

RESOURCE CONSERVATION AND DEVELOPMENT

Mr. **Watkins**. In the fiscal year 1986 appropriations, the committee provided $350,000 for a special RC&D project in Southeast Oklahoma. What is the status of this project?

Mr. **Scaling**. This special RC&D project is ongoing in fiscal year 1986. Presently, operating funds are being provided to an okra processing plant under development to determine its viability and possible contribution to the area's economic development. New project proposals are now under consideration of small fish distribution and hide tanning industries.

Mr. **Watkins**. How much money was allocated to this project in fiscal year 1986 and how much do you expect to expend this fiscal year.

Mr. **Scaling**. In fiscal year 1986, $350,00 is available to this project. It is expected that all of these funds will be used in fiscal year 1986.

Mr. **Watkins**. How much funding for this project is included in the fiscal year 1987 budget to continue this project?

Mr. **Scaling**. No funds are included in the fiscal year 1987 budget for this project due to the proposal that RC&D be terminated.

COMPREHENSIVE STUDIES

Mr. **Watkins**. During the last two years we have discussed SCS's continued involvement and role with the Corps of Engineers in the study regarding the Deep Fork River Basin Area. What is the current status of this relationship?

Mr. **Scaling**. The relationship between the SCS and the Corps of Engineers is excellent. Both agencies are striving to find economical solutions that are acceptable to the citizens of Oklahoma. Employees of both agencies spend numerous evening and weekend hours attending local meetings to involve local people in data collection and in the decision making process.

Mr. **Watkins**. What progress has been made in the study and what is the expected timetable for the study at this point?

Mr. **Scaling**. SCS will complete the collection and evaluation of data by the end of fiscal year 1986. All data will be given to the Corps of Engineers. A tentative date for the Corps of Engineers to have an internal report completed is by the end of fiscal year 1987.

Mr. **Watkins**. What is the statue of the relationship between SCS and the Corps of Engineers involving the Arkansas River and Tributaries, South Central and Southeastern Areas of Oklahoma Study?

Mr. **Scaling**. Again, the relationships are excellent between the SCS, the Corps of Engineers, and the Bureau of Reclamation on these two projects.

Mr. **Watkins**. What progress has been made in the studies? What timetable do you have toward completion of the project?

Mr. **Scaling**. SCS inputs into both studies are expected to be completed by the end of fiscal year 1986. The Corps of Engineers expects to have an internal document underway by the end of 1987 on the Arkansas River and Tributaries Study. Similarly, the Bureau of Reclamation plans to have an internal report underway on the East Central and Southeastern Oklahoma Study by the end of fiscal year 1987.

Mr. **Watkins**. Please comment on the status of the working relationship that exists between SCS and Corps of Engineers involving the Red River Comprehensive Study.

Mr. **Scaling**. The Corps of Engineers has overall leadership of the Red River Comprehensive Study. SCS is cooperating fully in providing data on land use, land treatment, upstream flooding, and potential irrigable lands.

Mr. **Watkins**. What has been done so far in this study and what is the timetable for completing the study?

Mr. **Scaling**. Work accomplished so far is primarily data collection and analysis. Preliminary project formulation cannot take place until data collection has been completed. SCS is on an accelerated schedule to collect and provide data to the Corps of Engineers by the end of fiscal year 1987. It will take the Corps of Engineers at least a year to evaluate all of the data and to coordinate project formulation. A report will then be prepared.

SCS YOUTH ACTIVITIES

Mr. **Watkins**. What activities does SCS have in working with conservation district youth boards?

Mr. **Scaling**. SCS works with conservation district youth boards in the same manner that SCS works with conservation district boards. That is, SCS provides the technical advice and counsel required by the boards to carry out their annual plans. Usually, the youth boards concentrate on activities designed to encourage more youths to take interest in soil and water conservation. Examples of activities of youth boards include public speaking contests on conservation, land judging, conservation poster contests, and other special projects. SCS helps youth boards with the technical aspects of these activities.

Mr. **Watkins**. Thank you, Mr. Chairman.

Mr. **Whitten**. I now recognize Mr. Smith, a long-time member of this subcommittee and of the full Committee.

Mr. **Neal Smith**. Thank you, Mr. Chairman.

Mr. **Traxler**. Could I have a minute, sir?

Mr. **Neal Smith**. Yes.

Mr. **Traxler**. Thank you, Mr. Smith.

Mr. Chairman and fellow members of the Committee, we have a distinguished guest, a former Econ. Professor of mine and Former Acting President of Michigan State University who is visiting town at the request of the Army, Navy, Marines and assorted other military.

For various reasons, they assume he is some kind of an expert on war economics and war procurement. I took his War Economics class and that is why I prefer agriculture. [Laughter.]

He suggested that one-on-one economics was beyond me, and I followed his good counsel. It is always a pleasure to know that one of your old professors is alive and doing well, and still teaching.

Thank you very much, Mr. Chairman.

Mr. **Neal Smith.** What is his name?

Mr. **Traxler.** Dr. Walter Adams. Thank you.

Mr. **Neal Smith.** Oh, I thought you had forgotten.

Mr. **Traxler.** I had. [Laughter.]

Which is why I am not an Econ. Professor.

ELIGIBILITY FOR CONSERVATION RESERVE

Mr. **Neal Smith.** Well, gentlemen, I am very interested in this Conservation Reserve Program. I wish it were 60 million acres, and I think it can be.

I think we could design a payment-in-kind program that would expand it by another 15 million acres without putting more grain on the market. I believe it could be done with an easement-type program.

Anyway, we are in the first sign-up period. You were somewhat rushed to get into the sign-up period and it is new law, so there are bound to be some things that you find are going to need amending.

Have you found a number of things so far?

Mr. **Peter Myers.** We have not found too much in the conservation section of the law, Mr. Smith.

Mr. **Neal Smith.** Well, I just point out a couple of things.

For example, a number of farmers raise alfalfa in a regular crop rotation program. If you put down alfalfa, it costs you $70 to $100 an acre so you leave it down for five years.

If they happen to be in that part of the cycle where your field has been in alfalfa four of the last five years, you are not eligible for CRP on that land. If they happen to have been in that part of the cycle where it has been in alfalfa five of the last five, you cannot even be in the regular program this year. I mean, that is a pretty serious thing for the farmer.

Because of the way the law is written, if a farmer happened to be in that part of the cycle he is out of the whole program. These are the kinds of things that are going to have to be corrected in administering the program.

Now, many of these problem are things you cannot do anything about because legislative changes will be needed.

I hope you are collecting examples of these kinds of problems so that you can provide them to Congress. I have been talking to Ed Jones and I think he is expecting to have some kind of hearings after this is over to address some of these problems.

DEFINITION OF HIGHLY ERODIBLE LAND

Administratively, though, you need to address some problems such as the description of highly erodible land. Now, as I understand it, you have defined highly erodible land for purposes of CRP, but not for sod-buster. Is that correct?

Mr. **Peter Myers.** At this point, the rules and regulations have not been written for the sod-buster section of the law. Therefore, we have not yet defined highly erodible land. You are correct, Mr. Smith.

Mr. **Neal Smith.** Now, when will we have the definition of highly erodible for sod-buster?

Mr. **Peter Myers**. We should have finalized that definition in 60 to 90 days.

Mr. **Neal Smith**. It will take that long?

Mr. **Peter Myers**. It could be sooner than that. SCS is currently working on the definition. It is obviously taking more time because they have had to work on other farm programs and the conservation reserve program.

Mr. **Neal Smith**. I know they are overworked at the present time, but I might point out this: On sod-buster, if they don't know what your definition is of highly erodible land, they don't know if they are going to be in violation of it this spring.

Mr. **Peter Myers**. You are correct. They would have to convert the land this spring. However, I would suspect we are not going to have a lot of newly-converted land this year.

Mr. **Neal Smith**. Well, I suspect not, but there are some that intended to convert some land. They went out of cattle last year and they don't have any choice. They would like to know what the definition is so they can make an estimate as to which land it is that could be converted without being in violation.

Under the law, if you are in violation this year, you are going to have to turn your regular program benefits back even after you have taken 20 percent of your land out of production.

Mr. **Peter Myers**. Again, we have sent preliminary word out to the states calling their attention to this provision of the Act, but do not yet have a technical definition.

Mr. **Neal Smith**. Until the states get the definition of highly erodible, they don't have any way to give producers an idea of what to do.

Mr. **Peter Myers**. I think they pretty well know.

Mr. **Neal Smith**. No, I don't think they do. They don't have any way to know.

Mr. **Peter Myers**. I would be disappointed if we had a technician that could not go out and look at a piece of ground and say, "If you use a breaking plough, you are going to have excessive erosion."

Mr. **Neal Smith**. Well, I don't know how he could if he does not know what classes you are going to include in highly erodible.

Mr. **Peter Myers**. The law, of course, spells out the classes.

Mr. **Neal Smith**. The law says that in Classes 6, 7 and 8 for the purposes of CRP, it is highly erodible without proving erosion.

Mr. **Peter Myers**. The law does define highly erodible to some degree. Then it also gives the Secretary the discretion—and you are correct—of developing the final definition. But it sets out pretty good guidelines.

Mr. **Neal Smith**. They really need that definition awfully bad because the people who had to go out of the cattle business are behind the eight ball on this right now.

Then there is another administrative problem. I have talked to Mr. Brown over at ASCS, and I think he got the word out to the field. He said he was going to anyway.

CROP HISTORY REQUIREMENTS FOR CRP

You have a definition of highly erodible for CRP which says that classes 6, 7 and 8 are highly erodible, period. That means that if one proves that it was in crop two years, then that class 6, 7 and 8 land is eligible; or if it is classes 2, 3, 4 and 5, then if one proves a certain level of erosion, it is classified as highly erodible.

I don't blame anybody for this. You know, you had to send out instructions fast; they have had training on this and some pople hear certain things, and others hear it different. Some of your field offices think that they have to have a five-year history even if it is classes 6, 7 and 8, and they are telling people that come into some of these county offices that "If you don't have a five-year history, you are not going to be eligible for CRP by next Friday even though it is class 6, 7 and 8 soil."

Your instructions very clearly say it is either/or; but they have heard it said that they have to prove the five-year history.

Mr. **Peter Myers**. I would think they would have to because they would have to show that it had been cropped two out of the last five years.

Mr. **Neal Smith**. But I will say, they will show two out of five——

Mr. **Peter Myers**. Right.

Mr. **Neal Smith**. But not five out of five.

Mr. **Peter Myers**. Yes, if they show a crop history two out of five years, it qualifies and it is based on the capability classes.

Mr. **Neal Smith**. You are right. I agree. If it is two out of five and 6, 7 or 8, it is automatically qualified.

Mr. **Peter Myers**. It also qualifies if it is above 3T in the other classes.

Mr. **Neal Smith**. But they are saying, in some counties, that in addition to showing that you have two years history on class 6, 7 and 8 soil, they also have to show the history for the other three years even though it is 6, 7 and 8.

Mr. **Peter Myers**. I see what you are saying.

Mr. **Neal Smith**. That disqualifies some people because if you go back 4 or 5 years there are a lot of people that cannot prove what a field was in. I mean, the land has changed hands.

One person I know of, took the land back on a mortgage. The control purchaser is no longer avaialble. In this case, the Soil Conservation Director happened to live across the road and he knows what was in the field.

Mr. **Peter Myers**. There should be a way to certify or to verify that.

Mr. **Neal Smith**. You are right. I asked about that and some offices said that they don't know that a statement from somebody that is knowledgeable and has no interest can be taken as a substitute for all these receipts they are getting, which don't mean much, you know.

They can go around and get fertilizer receipts and that doesn't prove what land it would apply to. A statement by a person that is knowledgeable and has no financial interest ought to be sufficient.

Well, anyway, I am just pointing out some of those things. Another thing I want to point out to you is that while it is not as crucial as these others right now you have to be thinking in the next couple of years about the provision that after 1990—you know what I am talking about.

Mr. **Peter Myers**. Yes.

Mr. **Neal Smith**. Because there is no possible way. It would take $2 billion a year to prepare all of that land so it could be farmed without erosion; and that means that after 1990—many farms will be no longer eligible for the regular farm program. There is going to be some accommodation or else milions of acres will be out of the farm program. Not only will the farm program not work but the number of acres of erodible land being farned will actually increase.

So we have to make some kind of a modification there and we ought to plan for it ahead of time, really.

Mr. **Peter Myers**. I would hope that those farmers would be getting their soil conservation plan and implementing it. There are farmers in northwest Missouri that farm with terraces that do a good job and the soil loss is not excessive.

This is something that farmers need to correct.

Mr. **Neal Smith**. There is no question about it, but here are the figures.

We appropriated $190 million last year for 50 percent cost-sharing, but you used only $140 because the farmers don't have the money to put up their 50 percent. If you use only $140 million a year between now and 1990, you will not have but one-fifth of the land out there that fully complies with the soil conservation plan. There is no possible way that it can be done by 1991.

This overkill is going to result, in 1991, in those people going out of the program and then they will go out and plow up additional erodible land when they go out of the program. You will have more erosion instead of less.

Mr. **Peter Myers**. I would hope that the farmers, themselves, would change their method of farming and I think this would help a lot.

Mr. **Neal Smith**. Well, there is more than method of farming involved here.

Mr. **Peter Myers**. They are going to have to farm around hills instead of up and down them.

Mr. **Neal Smith**. That is not what I am talking about at all. I am talking about the number of acres of land that are out there that you have to have structures on. The owner will be required to make an investment.

It is not just a matter of tillage methods: the number of acres that are out there that one cannot possibly farm in 1991 without structures. There is no way that we can get 50 percent match expended on that much land. I hope you are looking into this.

It is not as important for this year as the other things I mentioned, but in the next couple of years we need to think about this and get some accommodation to where people can plan for it. However it does hurt the sign up for the Conservation Reserve because farmers who read the contract know that they cannot draw the benefits promised after 1991 without making an investment that they simply cannot afford to make.

That's all I had. Thank you, Mr. Chairman.

Mr. **Whitten**. Thank you.

I would like to have a statement on ACP practices and accomplishments for 1984 and since 1936 placed in the record at this point.

[Information follows:]

Agricultural Conservation Program
Practices Performed in 1984 and Total Accomplishments 1936-1984

Practice	Unit	Extent under 1984 program	Total Accomplishments 1936-1984
Water impoundment reservoirs constructed to reduce erosion, distribute grazing, conserve vegetative cover and wildlife, or provide fire protection and other agricultural uses.............	structures	14,000	2,546,000
Terraces constructed to reduce erosion, conserve water, or prevent or abate pollution...........	acres	388,000	38,625,000
Stripcropping systems established to reduce wind or water erosion or to prevent or abate pollution.........	acres	102,000	115,756,000
Trees or shrubs planted for forestry purposes, erosion control or environmental enhancement...........................	acres	150,000	8,148,000
Forest tree stands improved for forestry purposes or environmental enhancement.............	acres	25,000	5,119,000
Wildlife conservation..................	acres	35,000	14,807,000 a/
Sediment pollution-abatement structures or runoff control measures.....	acres	425,000	20,102,000 b/
Conservation tillage including reduced tillage and no-till...........	acres	1,009,000	4,176,000 c/

a/ From 1962 with certain data estimated.
b/ From 1970.
c/ From 1973.

Mr. **Whitten**. I believe I come from one of the most erosive places in the world. It is about four miles of the Mississippi Delta, the Clay Hills, where if you drag your finger down the hill, after a couple of rains, you have a small ditch, which eventually gets to be big as a house. If you fill up the bottom of the ditch, it will level itself off.

I have been privileged to be here where I have seen the benefits of our conservation programs. At one time my whole country was just a series of gullies in the hills section. To go down there today and see green everywhere you look, makes you realize that we have done a marvelous job with ACP and SCS. Although I don't farm, I have a background where I can appreciate what has been done.

Now, this is not the first time that we have had to restore budget cuts for these programs. Sometimes it has been that OMB figured we would do that, so they could put in the budget what they wanted.

What disturbs me now is the lack of understanding. Now, I certainly don't have any objection to taking care of the badly eroded places. But, goodness knows, we can't let the rest of the country go bad while you are helping them. That is about as shortsighted as I know.

Now, when you start sending someone from Washington to tell a man what he can do with his own land, it bothers me. You know, they already send a county agent out to take care of pets under law, as though he did not have anything else to do. Now, you have a man from Washington coming out there looking your own place over and telling you what to do.

Mr. Myers, I wonder what you would have done when you were farming if somebody came to your farm and told you how to farm? What I am trying to say, We are going in a bad direction.

Now, ACP practices that are approved start at the bottom. The folks at home vote for what they need. It comes to Washington and you select the practice and put it in a catalog. I am talking about the normal operation of the agricultural conservation program.

I am not trying to change the course of human events, I am going to support the other conservation reserve program; but not as a substitute for the on going programs where we have done a good job throughout the country. All we had to do was use present programs.

I will tell you, it is adding insult to injury to tell a farmer "If you don't do like we say, we are not going to help you even a little bit" that is what Mr. Clark, who handles FmHA seems to be saying.

So I think we are headed the wrong direction though I voted for it, and we are going to have a Conference right shortly about doing it. I say again the price of food is going to be paid by either the consumer or by the land from which it comes.

Right now, with American agriculture bankrupt, is no time to put on an added burden. Certainly, we don't need to let everything go down to qualify for the new program.

SOIL SURVEY MAPS

Mr. Scaling, you are very much interested in soil maps.

Mr. SCALING. Yes, sir.

Mr. WHITTEN. I can appreciate that, but I have trouble getting people to use them. I think others do, too.

I don't know what you might do, but I wish you would study the problem. Often people will buy a lot knowing it is likely to be flooded or develop other problems. If we could just get some local cooperation in requiring the developers and others to use your soil conservation maps where they could sense what the problem might be, it would save lots of headaches here and would keep a whole lot of folks from losing their farms.

Mr. SCALING. Yes, sir.

FLOOD DAMAGES

Mr. WHITTEN. I don't know what the answer is. But I do know that, when we can see the floods that happened in California and Texas and other states and then to come up here and recommend that we abolish all conservation efforts on our watersheds, I cannot understand that.

I don't know of anything more costly than all the damages from floods. It is a mistake to come here and recommend that we quit doing anything in the watersheds to try and hold the water back.

I don't hold you responsible. May I say again, this is not the first time we have had to restore funds for these programs. It is about the 30th or more time for ACP under all Administrations.

One of the ladies in my office the other day said, "Well, everything looks like it is busy." I said, "Well, when you spend in five years a trillion dollars, you can show activity. But there is a whole lot of difference between that and productivity."

Thank you for being here, gentlemen. Mrs. Smith was unable to be here today, but she has some questions to be answered for the record.

GROWTH IN STATE AND LOCAL CONSERVATION PROGRAMS

Mrs. SMITH. What actions is the Administration taking to insure the continued growth of state and local conservation programs?

RESPONSE. SCS encourages conservation districts to seek other resources and additional sources of funding to help carry out their long-range plans. State and local appropriations for conservation district activities in 1985 were approximately $350 million. We believe some conservation activities can best be carried out by state and local units of government rather than the federal government. For example, state and local units of government are in a much better position to make decisions concerning land use regulation or to carry out mandatory conservation programs. We believe the federal government's role is one of providng technical advice and counsel and of providing technical services to land users on a voluntary basis.

DISCONTINUATION OF THE GREAT PLAINS CONSERVATION PROGRAM

Mrs. SMITH. What justification does the Administration have for the discontinuation of the Great Plains Conservation Program?

RESPONSE. The Administration has proposed termination of this program primarily for fiscal policy reasons but with the recognition that the new Conservation Reserve Program will provide a vehicle to take the most highly erodible cropland in the Great Plains States out of production.

CONSOLIDATION OF NATIONAL TECHNICAL CENTERS

Mrs. SMITH. I know plans have been finalized to move several Soil Conservation Service National Technical Centers to Fort Worth, Texas. There is a facility currently located in Lincoln, Nebraska. Will this move affect the quality of service rendered to local farmers and ranchers? What are the long term goals and effects of this decision?

RESPONSE. We believe that this consolidation will improve the quality of technical assistance to local farmers and ranchers. A number of program and management efficiencies will result including the elimination of duplicative functions; improved consistency in the development of technical standards and guidelines; better quality control; and improved technical exchange. After this consolidation is fully implemented, we expect an annual savings in operating costs of $2.9 million. A major objective of this consolidation is to maximize SCS resources available for providing onsite assistance to farmers and ranchers in the planning and application of conservation measures that reduce soil erosion and provide many other conservation benefits.

TARGETING OF SCS PROGRAMS

Mrs. SMITH. Does the SCS make any attempt to target programs to where they are needed most?

RESPONSE. The SCS does attempt to target programs to areas where they are needed the most, considering national, as well as, state and local conservation needs. For the past several years, special emphasis has been placed on addressing excessive erosion on crop, range, pasture, and forest lands and on conserving limited water supplies. Under our conservation technical assistance program, we have targeted 10 percent of available funds to critical resource problems within designated geographical areas. These areas have received accelerated technical assistance for conservation planning and application. We believe the Conservation Reserve, Sodbuster, and Conservation Compliance provisions of the Food Security Act of 1985 will help increase our redirection to critical problem areas.

Beyond this, we believe it is important to maintain technical assistance to all conservation districts throughout the country. Resource conditions vary widely in different geographical areas, and conservation priorities have to be established accordingly. The SCS works closely with state conservation agencies and local conservation districts to "target" resources to problem areas of concern at the local level.

Mrs. SMITH. Which areas do most problems occur?

RESPONSE. Virtually all states have some areas that have critical problems of erosion, water quality or quantity, or rangeland deterioration. Generally, the Midwest states have the most serious cropland erosion problem. The Great Plains area has the most serious water quantity, wind erosion, and rangeland deterioration problems. Portions of the far West have serious erosion and salinity problems, and parts of the South and East have serious problems of cropland erosion and water quality.

GROUND WATER CONTAMINATION

Mrs. SMITH. At a time when we find increasing reports of pesticide and nitrate contamination in our ground water supplies, how does the Administration feel their proposed actions will address this important problem?

RESPONSE. There is no doubt that the number of reports showing ground water contamination is increasing and will continue to increase as we intensify our reconnaissance efforts to monitor ground water quality. While not a proven fact, there is some evidence that such contamination is often a result of poor nutrient and pesticide management on the part of the user. In these instances, and excessive amount of chemical fertilizers and pesticides likely used or nutrient resources available from animal wastes were not properly utilized. We approach this problem through education and technical assistance. We believe that it is economically beneficial for farmers to limit the use of chemical fertilizers and pesticides and that this can be accomplished with minimal financial assistance from the federal government. An exception is where an existing animal production or dairy operation is unable to properly manage its waste products for lack of proper collection and storage. These capital intensive improvements will be slowed somewhat by the reductions in federal financial assistance. However, targeting of the available resources to the most critical operations should help maintain an adequate level of support for these activities.

WATERSHED PROGRAM REDUCTIONS

Mrs. SMITH. What is the purpose of such drastic cuts in Watershed projects?

RESPONSE. We are proposing termination of the Watershed and Flood Prevention Operations Program primarily for fiscal policy reasons. These programs have a lower priority for Federal funding in the Conservation area primarily due to their substantial degree of State and local benefits. While new watershed planning has not been authorized where commodity production is enhanced, the tendency of many existing projects for agricultural flood protection often result in raising the capacity to produce surplus commodities. In times of constrained Federal budgets, State and local agencies should finance the projects for their beneficiaries.

Mrs. SMITH. What areas will be most adversely affected by this decision?

RESPONSE. The watershed program is a nationwide program. All the states have an active watershed planning and construction program except Alaska. Therefore, virtually all areas of the country will be adversely affected by this decision. The States of Arizona, California, Mississippi, New York, Oklahoma, Pennsylvania, Texas, Virginia and West Virginia will be impacted the greatest due to the size of their programs. These ten states used more than fifty percent of the programs funds in 1985.

Mr. PETER MYERS. May I say one more thing, Mr. Chairman?

Chairman WHITTEN. Yes.

Mr. PETER MYERS. I do want to compliment the Committee members for their obvious interest in soil and water conservation. You had most of your members here and that shows the interest of this Committee.

Chairman WHITTEN. Thank you very much for being here.

[Biographical sketches follow:]

WILSON SCALING

Wilson Scaling became chief of the Soil Conservation Service, U.S. Department of Agriculture, on May 21, 1985. He is the eighth person to head the 50-year old agency.

Mr. Scaling was born on July 14, 1938, in Wichita, Texas. He grew up on the family ranch, which dates back to the 1880's, in Clay County, Texas. He attended Texas Tech University in Lubbock, and graduated in 1961 with a B.S. in animal husbandry. He enlisted in the United States Army Reserves in 1961 and served a six month active duty tour. He was honorably discharged in 1967.

From 1962 until his appointment as Chief of the Soil Conservation Service, he managed the family cow-calf and yearling ranching operation in north central Texas. His farming operation consisted of growing small grain for grazing. He is an active conservationist and a leader in the agricultural community. Under his management, he used conservation practices on the ranch that included proper grazing use, brush management, wildlife habitat conservation, conservation tillage, and windmills and farm ponds for domestic livestock and wildlife.

Scaling brings a broad base of experience from the agricultural and conservation community to the Soil Conservation Service. He is a past director and a member of the Little Wichita Soil and Water Conservation District, a past area director of the Texas Association of Soil and Water Conservation Districts, a member of the National Association of Conservation Districts, a member of the Society for Range Management, a past director and member of the Texas and Southwestern Cattle Raisers Association, and a past director of the J-A-C Electronic Cooperative. He is also active in community affairs and is a past president of the North Easter Seal Rehabilitation Center.

Mr. Scaling and his wife Drucilla reside in Washington, D.C.

JOHN W. PETERSON

John Peterson is the Soil Conservation Service's Deputy Chief for Administration.

Mr. Peterson has an extensive academic experience and he has earned several degrees—a B.S. in Civil Engineering from South Dakota State University, an M.A. from Central Michigan University, and an LL.B. from LaSalle Extension University. He has also attended the U.S. Army Command & General Staff College, the Industrial College of the Armed Forces, the Air War College and the Federal Executive Institute. He is currently an officer in the U.S. Army Reserves and has served three tours of active duty.

John started his career with the Soil Conservation Service in Minnesota as a soil conservation and engineering technician in 1954 when he was an undergraduate. Later, he held the position of civil engineer, hydraulic engineer and area and project engineer until he transferred to Ohio as a planning engineer. He was a planning staff leader in Indiana and the Assistant State Conservationist in Arizona before moving to Washington, D.C. in 1978 where he has served in several positions—soil conservationist detailed to EPA Headquarters, Director for the Program Integration Staff, Acting Deputy Chief for Planning & Evaluation and Director for the Project Development & Maintenance Division.

He has been active in professional organizations and in the community, and he has received several outstanding performance awards for his achievements. The organizations include, but are not limited to, Soil Conservation Society of America, American Society of Civil Engineers, American Society of Agricultural Engineers, American Registry of Certified Professionals in Agronomy, Crops and Soils, National President of the Organization of Professional Employees of USDA, Little League and Babe Ruth baseball coach, Boy Scouts of America and the National Capitol Area Council High Adventure Committee.

Mr. Peterson and his wife, Blanche, live in Virginia.

RICHARD L. DUESTERHAUS

Richard L. Duesterhaus is the Soil Conservation Service's Deputy Chief for Assessment and Planning.

Mr. Duesterhaus attended the University of Illinois where he earned a B.S. in Agricultural Economics, Northern Illinois University where he earned a M.A. in Political Science and Harvard University where he earned a Masters in Public Administration. He served 18 months active duty and eight one-half years in the National Guard and the Army Reserves as a Platoon Leader, Company Commander and various staff positions at the Battalion and Brigade level.

Rich's career in the Soil Conservation Service started in Illinois in 1959. In 1971, he went to New York as the Assistant State Conservationist. He was the Maine State Conservationist from 1973 through 1975. Then, he moved to Washington, D.C. where he has served in several Soil Conservation Service positions—the Assistant to the Administrator for Environmental Development, the Assistant Administrator, the Assistant Chief for the Northeast and the Assistant Chief for the Midwest—before being placed in his current position. Rich was assigned on loan for one year in 1976 to the Department of Agriculture, Office of the Secretary, as the Coordinator for Land, Air, Water and Solid Waste. He has also served on an OMB task force on Reorganization and as Acting Deputy Secretary for Conservation, Research and Education.

He has been active in professional organizations and in the community, and he has received several awards for his public service. He has been a member of the Soil Conservation Society of America, the National Association of Conservation Districts, and the Boy Scouts of America. He has been awarded the U.S. Department of Agriculture's Superior Service Award and the Washington State Professional Service Award.

Mr. Duesterhaus and his wife, Judie, live in Virginia with their two daughters and six sons.

GALEN S. BRIDGE

Galen Bridge is the Soil Conservation Service's Deputy Chief for Programs.

Mr. Bridge attended the University of Maine where he earned a B.S. in Agricultural Engineering in 1957 and the University of Virginia where he earned a Masters Degree in Public Administration in 1966.

Galen's career in the Soil Conservation Service started in Maine as an agricultural engineer. Before moving to Washington, D.C., he worked in Oregon as the Assistant State Conservationist, in Colorado as the Deputy State Conservationist and in the state of Washington as the State Conservationist. In Washington, D.C., Galen has served as the Director of Conservation Operations, the Assistant Chief for the Northwest and the Deputy Chief for Administration before assuming his current position.

He has been active in professional organizations and has received several awards for his public service. He has been a member of the Soil Conservation Society of America, the American Society of Public Administration and a Fellow in the National Institute of Public Affairs. He has been awarded the U.S. Department of Agriculture's Superior Service Award and the Washington State Professional Service Award.

THOMAS (ROCKY) ROCKENBAUGH

Rocky Rockenbaugh is the Soil Conservation Service's Associate Chief. Mr. Rockenbaugh graduated from Texas A&M University with a degree in range and forestry.

Rocky started his career with the Soil Conservation Service in Texas where he has worked as a range conservationist, a district conservationist and an area conservationist. He was the Deputy State Conservationist in Kansas and the State Conservationist in Louisiana and Arizona. He came to Washington, D.C. in July 1981 to become the Assistant Chief for the Southwest States, and became the Associate Chief for the Soil Conservation Service on March 25, 1985.

SOIL AND WATER CONSERVATION PROGRAMS

Statement of Peter C. Myers, Assistant Secretary for Natural Resources and Environment, U. S. Department of Agriculture, before the House Appropriations Subcommittee on Agriculture, Rural Development and Related Agencies.

Mr. Chairman and members of the Committee, I am pleased to be here today to present the 1987 budget request for the Department's soil and water conservation programs. Before we begin, I would like to introduce Mr. Wilson Scaling, who is making his first appearance before this Committee as the Chief of the Soil Conservation Service. Mr. Scaling is an active rancher, conservationist, and leader in the agricultural community. He has brought a practical perspective to the management of the Soil Conservation Service. He will present a statement in support of the budget, and he and his staff will help me respond to your questions.

NEED FOR FISCAL RESTRAINT

Mr. Chairman, I know we all agree that we need to reduce Federal deficits. The continued health of our economy and the well-being of all Americans depends upon our ability to deal with this issue in a responsible manner. The Congress has shown its resolve to address this persistent problem by the "Gramm-Rudman-Hollings" balanced budget legislation, which is already being put into place. The Administration is equally resolved to seek practical solutions, which must begin with recommendations to the Congress for reductions in spending for Federal programs. This has required us to make some difficult decisions as we put together budget proposals for fiscal year 1987. Priorities have been carefully considered. Some Federal programs which have served worthwhile purposes in the past will have to be scaled back or eliminated. Within the constraints given to us, we chose to put a very high priority on sustaining the current level workforce to provide on-site technical assistance to farmers and ranchers. State and local governments and the private sector will have to assume more of the responsibility for financial assistance in some areas. These changes will not be put into place without some degree of pain, but in the long run, they will contribute to a better life for all Americans.

IMPACT OF NEW CONSERVATION PROGRAMS

Soil and water conservation is a high priority of this Administration. We are excited about the new conservation initiatives authorized by the Food Security Act of 1985. This is certainly historic legislation for the conservation community. For the first time, farm programs will reward conservation and penalize resource exploitation.

The first sign-up period under the Conservation Reserve Program began on March 3. When fully implemented, this program is expected to take 40 to 45 million acres of the most erodible cropland out of production. The sodbuster, swampbuster, and conservation compliance provisions of the Act will bring much needed consistency to USDA programs.

All of these new programs will provide effective and needed incentives which, along with a strong ongoing technical assistance effort, will help us preserve our valuable soil and water resources. As you have so often stated, these resources have been and will continue to be the foundation of our country's real wealth. These new programs will provide us with additional tools to solve soil and water degradation problems. Highly erodible cropland of questionable productivity will be put in permanent vegetative cover. Strong benefits to soil erosion control, water quality improvement, and wildlife habitat improvement will accrue to the Nation that might otherwise take years to achieve.

1987 BUDGET PRIORITIES

All the good conservation that has been put into place over the past 50 years is the product of a strong Federal, state, and local partnership and the desire of private landowners to be responsible stewards of the land. Nearly 70 percent of the total annual investment in conservation practices applied through the conservation technical assistance program is made by private landowners. Nonfederal conservation programs are strong and growing. State and local governments appropriated $277.7 million for conservation programs in 1986, an increase of nearly 4 percent above the 1985 level. We are especially encouraged to see substantial growth in state cost-share and other programs designated for on-the-ground conservation application work. This is a significant factor contributing to the good conservation progress we are seeing today.

Even in these times of constrained budgets, we recognize the Federal government's continued important role in soil and water conservation. We believe that the technical assistance provided by SCS technicians and soil conservationists working with farmers and ranchers through local conservation districts is the most essential component of Federal conservation programs. Our 1987 budget reflects this priority. We plan to continue a full conservation technical assistance program in 1987 to ensure that every conservation district across this nation continues to receive these services, especially for the requests generated by the new provisions in the conservation title of the farm bill. Supporting programs including soil surveys, snow survey and water supply forecasting, and the work carried out at the plant materials centers would remain in place. The 1987 funding request for all these ongoing programs is actually $1.6 million above the 1986 funding level even before the Gramm-Rudman-Hollings cutbacks. This indicates the importance assigned to these programs by this Administration.

Beyond this, the 1987 budget does include some of the same proposals reflected in last year's budget request to terminate programs which have served worthwhile purposes in the past but now have a lower priority. These are primarily the various construction and cost-sharing programs the Department has traditionally offered as incentives for the achievement of various conservation objectives. The proposed reductions in these areas are consistent with the Administration's philosophy of shifting the responsibility of financing the costs of installing conservation measures back to state, local, and private sources and focusing Federal financial assistance on the most seriously eroding areas through the new Conservation Reserve Program. We believe that this is a realistic and responsible approach. It allows us, within limited resources, to continue our wide range of technical assistance and to further concentrate assistance on areas with the most serious deterioration of soil and water resources.

That concludes my statement, Mr. Chairman. Mr. Scaling will explain the 1987 budget proposals for the Soil Conservation Service in more detail. We will be pleased to answer any questions.

SOIL CONSERVATION SERVICE

Statement of Wilson Scaling, Chief, Soil Conservation Service, before the House Appropriations Subcommittee on Agriculture, Rural Development and Related Agencies.

Mr. Chairman and members of the Committee, I appreciate the opportunity to appear before you today as the Chief of the Soil Conservation Service, a position I have been privileged to hold for nearly a year. I believe that the Soil Conservation Service is an important agency dedicated to the mission of conserving our country's soil and water resources. I believe strongly in this mission. I have been an active conservationist for many years as a private landowner and as a participant and leader with my local soil and water conservation district. I have seen first-hand the real progress that has been made through the joint efforts of state, local, and Federal agencies and private citizens. Together, we have saved valuable topsoil, conserved scarce water supplies, improved the condition of rangelands, and provided many other benefits to the people of this Nation. As Mr. Myers mentioned, this partnership has been the traditional strength of soil and water resource conservation, and it will continue to serve us well in these times of constrained Federal budgets.

PROPOSED BUDGET CHANGES FOR FY 1986

I would like to summarize at this point the key proposals contained in the budget request for the Soil Conservation Service. A number of changes are being proposed which would reduce the SCS budget this fiscal year, 1986. As you know, we have been required to set aside 4.3 percent of our 1986 funds to meet the requirements of the "Gramm-Rudman-Hollings" balanced budget act. This amounts to a reduction of $28.6 million for the Soil Conservation Service. We anticipated a reduction of this magnitude and managed accordingly, so we will be able to avoid serious disruption in the delivery of our program services through the end of this fiscal year. Our workforce will probably be down about 500-600 FTE's by the end of the year, primarily through normal attrition. In keeping with the instructions of this committee, funds have been withdrawn on a pro rata basis from all programs and projects.

The budget also includes two rescission proposals for FY 1986. First, $6.6 million would be withheld from Great Plains Conservation Program funds. No new contracts have been signed since February 1, 1986, and this program would be terminated by the end of this fiscal year. Second, $60.4 million in unobligated construction funds under the Watershed and Flood Prevention Operations account would be rescinded. No new contracts have been signed since February 1, 1986, in anticipation of the complete termination of these programs as proposed in the budget for fiscal year 1987. We are continuing to sign some new contracts for the Emergency Watershed program, however, so we can complete all planned work for which funds had been designated by February 1. Only those Emergency funds which have not been allocated to the states would be rescinded--$7.0 million.

The final change proposed for 1986 has to do with our request to reprogram funds from two accounts--Inventory and Monitoring and Resource Appraisal and Program Development--to the Soil Survey account. Because of the cyclical nature of the work conducted under these two accounts, and the authority provided in the 1985 farm bill to lengthen the activities to once per decade rather than once every five years, these funds can be made available without any major disruption of ongoing work.

Soil survey data is basic to all conservation planning and application work carried out under Federal as well as state and local conservation programs. In recent years, there has been an increasing demand for soil survey information brought about primarily because of increasing public awareness of the need to conserve our soil and water resources and the related growth in nonfederal conservation programs.

SCS provides the leadership for soil survey and has been working for a number of years to complete soil surveys for the entire Nation. State and local agencies have contributed a significant amount of their resources to help us speed up this work. Within the SCS, we have improved the management of our soil survey program to increase our own productivity. Still, we are looking at about 9 more years worth of work if we continue at the current rate, to complete mapping on most of the 270 million acres currently unmapped, including 80 million acres of cropland.

We need to complete as many of these soil surveys as we can in the next few years. The $3.5 million we are proposing to reprogram in 1986 would enable us to increase our efforts in areas with large unmapped acreages, and to make some much-needed technological and other long-term improvements in the soil survey program. We know that this committee has always placed a high priority on SCS soil survey work. We share that priority, and we believe that this reprogramming request is a positive, cost-effective action to address an urgent need.

BUDGET REQUEST FOR FY 1987

The President's 1987 budget request includes a total of $457.7 million for the Soil Conservation Service. This amount includes $350.6 million for continuing the highest priority activities of the Service, substantially more than the $200 million requested this time last year for those same activities. Although a different type of financial assistance will be offered to farmers, we will retain a full technical assistance program on a nationwide basis. This is the mainstay of the agency. I am personally committed to keeping our field office workforce as strong as possible. It is at this level, working directly with farmers, ranchers and other landowners through local soil and water conservation districts, that the SCS has had its greatest impact over the years. This vital work will be continued, even though we have to pull back in other areas.

Along with technical assistance, we will continue to provide soil surveys and snow surveys, and to maintain ongoing work at our plant materials centers. The funding requested for these four programs in fiscal year 1987 is actually $1.6 million more than the amount appropriated in 1985 and before the reductions we are taking this year under Gramm-Rudman-Hollings. About 9,700 SCS staff years of assistance would be retained, or about 70 percent of our current workforce. The proposed funding level will maintain the full buying power of these important programs at historic levels. It will also ensure that we will be able to provide the technical assistance necessary to fulfill the conservation provisions of the new farm bill.

I would like to mention briefly an urgent need for which we are requesting an additional $1 million in 1987. We must replace deteriorating and outmoded parts of the SNOTEL system equipment we depend upon to provide data for water supply forecasting in the Western United States. This system provides data for managing limited water supplies on irrigated cropland and for other water management purposes.

This system was installed in the late 1970's, and much of it is now reaching the end of its expected useful life of 10 years. These automated data collection stations are located at remote mountain sites and operate under the most severe weather conditions. The frequent repairs needed are dangerous and costly. We have put some up-to-date equipment into operation at a few of these sites, and the new equipment has proven to be highly reliable. We need to replace the older equipment currently in place at about 400 of these sites on a planned 5-year schedule to ensure the continued operation of this system. We believe we are facing complete failure of a major portion of this system in the near future if action is not taken. We would appreciate your favorable consideration of this request.

The remaining funds requested for 1987, $107.1 million, are for nonrecurring costs to terminate the remaining SCS programs. These funds would be used to cover severance pay and lump sum payments for the approximately 3,700 SCS employees whose jobs would be terminated in 1987, and for other administrative costs to phase-down program operations in an orderly manner. As Mr. Myers has already mentioned, the proposed reductions are all consistent with the Administration's philosophy of shifting the financing of installation of conservation practices for all but the most seriously eroding areas back to state, local, and private sources. These sources have all shown willingness to pick up at least some of the slack left by the declining Federal role in financial assistance. Strong conservation cost-sharing programs are already on the books in Missouri, North Carolina, and other states. The need to reduce Federal spending is urgent. A consensus on how to do this will not be easy to reach. However, we believe that even with the reductions we are presenting here today, we will be able to maintain a strong, viable conservation effort.

I would like to provide for the record tables which provide a summary of the SCS budget and the contributions of funds and services from state and local governments and other non-SCS sources in fiscal year 1985.

That concludes my prepared statement, Mr. Chairman. With the help of my staff, I will be happy to answer your questions.

SOIL CONSERVATION SERVICE

FY 1987 BUDGET
($ in thousands)

	FY 1985	FY 1986		FY 1987		
	Actual	Enacted	Proposed**	Phase-Down Costs	Continuing Program	Total Request
CONSERVATION OPERATIONS:						
1. Technical Assistance........................	$283,124	$282,984	$270,859	$ --	$286,036	$286,036
2. Inventory and Monitoring....................	14,608	12,320	11,696	9,689	--	9,689
3. Soil Surveys................................	54,810	57,981	55,638	--	55,360	55,360
4. Snow Surveys and Water Forecasting...........	3,973	3,949	3,780	--	5,039	5,039
5. Operation of Plant Materials Centers.........	4,089	4,065	3,890	--	4,147	4,147
6. Resource Appraisal and Program Development...	4,316	2,990	2,806	1,725	--	1,725
Total, Conservation Operations..................	364,920	364,289	348,669	11,414	350,582	361,996
RIVER BASIN SURVEYS AND INVESTIGATIONS:						
1. USDA Cooperative Studies.....................	10,012	10,296	9,855	7,123	--	7,123
2. Flood Plain Management Assistance............	3,037	2,453	2,348	1,424	--	1,424
3. Interagency Coordination and Program Formul..	1,857	2,068	1,977	925	--	925
Total, River Basin Surveys and Investigations...	14,906	14,817	14,180	9,472	--	9,472
WATERSHED PLANNING AUTHORIZED BY PL-566.........	8,922	8,868	8,487	6,480	--	6,480
WATERSHED AND FLOOD PREVENTION OPERATIONS:						
1. Watershed operations authorized by PL-534:						
a. Technical Assistance......................	13,552	17,446	16,696	12,400	--	12,400
b. Financial Assistance for construction.....	13,872	17,783	10,658	--	--	--
c. Loan Services.............................	193	174	167	--	--	--
Subtotal, Flood Prevention...................	27,617	35,403	27,521	12,400	--	12,400
2. Emergency Watershed Protection Operations....	5,000	44,970	36,049	1,106	--	1,106
3. Small watersheds authorized by PL-566:						
a. Technical Assistance......................	62,785	62,455	59,772	54,272	--	54,272
b. Financial Assistance for construction.....	88,044	87,516	36,696	--	--	--
c. Loan Services.............................	397	348	333	--	--	--
Subtotal, Watershed Operations...............	151,226	150,319	96,801	54,272	--	54,272
Total, Watershed and Flood Prevention Operations	183,843	230,692	160,371	67,778	--	67,778
GREAT PLAINS CONSERVATION PROGRAM:						
1. Cost-sharing assistance......................	12,476	12,190	4,124	--	--	--
2. Cost-share programming and contract admin....	2,898	2,945	3,121	--	--	--
3. Technical Assistance.........................	6,157	6,267	6,631	--	--	--
Total, Great Plains Conservation Program........	21,531	21,402	13,876	--	--	--
RESOURCE CONSERVATION AND DEVELOPMENT:						
1. Technical Assistance.........................	17,679	17,696	16,918	11,400	--	11,400
2. Financial Assistance.........................	8,500	8,347	8,005	--	--	--
3. Loan Services................................	141	119	114	--	--	--
Total, Resource Conservation and Development....	26,320	26,162	25,037	11,400	--	11,400
Subtotal, SCS Appropriated Funds................	620,442	666,230	570,620	106,544	350,582	457,126
RURAL ABANDONED MINE PROGRAM....................	(9,800)	(9,424)	(9,019)	(800)	(--)	(800)
Trust Funds.....................................	431	560	560	560	--	560
Total, SCS......................................	$620,873	$666,790	$571,180	$107,104	$350,582	$457,686

** Net of 4.3% reduction for Gramm-Rudman and proposed rescissions in the Great Plains Conservation Program ($6,606) and the Watershed and Flood Prevention Operations Program ($60,401).

UNITED STATES DEPARTM OF AGRICULTURE
SOIL CONSERVAT SERVICE

TABLE 7
CPA-4

NATIONAL SUMMARY ESTIMATES - CONTRIBUTIONS OF FUNDS AND SERVICES TO SOIL AND WATER CONSERVATION DISTRICTS PROGRAM
FISCAL YEAR 1985 (DOLLARS)

STATE	STATE GOVERNMENT	LOCAL GOVERNMENT	OTHER	FEDERAL NON-SCS	TOTAL
ALABAMA	1,544,200	933,800	1,167,200	6,100	3,651,300
ALASKA	661,508	211,598	274,150	0	1,147,256
ARIZONA	2,143,722	2,854,327	1,947,673	101,500	7,047,222
ARKANSAS	4,127,100	1,927,400	6,270,400	58,000	12,382,900
CALIFORNIA	2,076,000	8,289,000	3,925,000	113,000	14,403,000
CARIBBEAN AREA	2,996,042	829,366	2,215,175	0	6,040,583
COLORADO	335,013	634,393	800,248	39,100	1,808,754
CONNECTICUT	1,682,200	439,400	362,360	0	2,483,960
DELAWARE	2,426,350	703,640	476,390	0	3,606,380
FLORIDA	1,383,100	1,625,200	892,000	25,400	3,925,700
GEORGIA	641,000	3,021,700	1,540,600	97,500	5,300,800
HAWAII	426,939	2,450,510	611,237	30,000	3,518,686
IDAHO	1,221,267	614,200	1,230,941	25,000	3,091,408
ILLINOIS	4,005,465	2,650,763	2,244,991	0	8,901,219
INDIANA	1,265,926	2,920,551	3,345,961	550	7,532,988
IOWA	14,186,839	3,468,743	3,485,498	100	21,141,180
KANSAS	2,731,612	3,923,333	3,203,784	2,300	9,861,029
KENTUCKY	4,420,688	1,538,970	1,169,190	1,800	7,130,648
LOUISIANA	4,865,000	2,340,000	3,433,000	158,000	10,796,000
MAINE	167,585	299,122	484,147	0	950,854
MARYLAND	2,594,393	1,921,412	611,223	0	5,127,028
MASSACHUSETTS	1,734,600	366,800	424,400	47,000	2,572,800
MICHIGAN	3,352,000	2,866,648	1,519,722	409,000	8,147,370
MINNESOTA	7,768,946	6,880,065	2,215,012	0	16,864,023
MISSISSIPPI	415,484	1,711,581	1,814,491	0	3,941,556
MISSOURI	5,351,917	3,073,422	4,789,874	16,850	13,232,063
MONTANA	1,281,604	2,255,403	4,155,981	146,200	7,839,188
NEBRASKA	773,495	12,295,586	943,853	200	14,013,134
NEVADA	25,710	150,024	172,972	1,249,400	1,598,106
NEW HAMPSHIRE	6,010	231,278	308,594	0	545,882
NEW JERSEY	672,546	4,427,646	636,858	0	5,737,050
NEW MEXICO	194,413	665,372	423,805	613,000	1,896,590
NEW YORK	2,868,681	10,434,712	1,776,892	14,096	15,094,381
NORTH CAROLINA	5,300,500	4,152,330	2,009,126	66,998	11,528,954
NORTH DAKOTA	573,439	1,512,912	746,768	0	2,833,119
OHIO	8,854,768	4,885,333	2,974,999	24,000	16,739,100
OKLAHOMA	3,110,327	2,905,969	3,687,449	0	9,703,745
OREGON	737,237	1,116,566	1,799,858	125,940	3,779,601
PENNSYLVANIA	1,160,000	2,955,755	1,556,675	0	5,672,430
RHODE ISLAND	49,050	87,350	47,950	0	184,350
SOUTH CAROLINA	1,894,000	2,134,394	923,680	45,000	4,997,074
SOUTH DAKOTA	119,261	968,056	564,884	69,150	1,721,351
TENNESSEE	527,785	977,011	1,125,200	64,471	2,694,467
TEXAS	1,561,170	4,273,779	2,924,237	10,200	8,769,386
UTAH	4,890,747	9,170,200	277,820	10,000	14,348,767
VERMONT	319,368	34,604	1,825,996	5,000	2,184,968
VIRGINIA	2,893,923	1,183,918	350,359	30,000	4,458,200
WASHINGTON	891,047	1,028,165	834,935	2,000	2,756,147
WEST VIRGINIA	3,214,435	1,891,125	463,630	2,200	5,571,390
WISCONSIN	2,429,304	4,552,948	2,162,228	18,000	9,162,480
WYOMING	206,570	469,500	685,500	19,000	1,380,570
TOTAL:	119,080,286	133,255,880	83,834,916	3,646,055	339,817,137

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE

TABLE 2
CPA 4

NATIONAL SUMMARY ESTIMATES - CONTRIBUTIONS OF FUNDS AND SERVICES TO SOIL AND WATER CONSERVATION DISTRICTS PROGRAM FISCAL YEAR 1985 - (DOLLARS)

STATE	PROG ASSMNT	CONS PLAN	CONS APPL	SOIL SURVEY	SNOW SURVEY	WATERSHED	RC&D AREA	OTHER	TOTAL
ALABAMA	1,463,000	376,100	335,500	494,100	0	173,000	250,700	558,900	3,651,300
ALASKA	705,800	38,800	15,000	124,800	38,002	171,854	0	53,000	1,147,256
ARIZONA	342,400	137,920	1,688,449	140,950	11,600	4,564,650	75,587	85,666	7,047,222
ARKANSAS	3,203,500	809,300	3,330,700	61,200	0	2,559,200	2,203,300	215,700	12,382,900
CALIFORNIA	2,800,000	1,880,000	6,126,000	334,000	1,609,000	1,009,000	204,000	450,000	14,403,000
CARIBBEAN AREA	1,101,588	530,058	3,757,052	0	0	480,760	171,125	0	6,040,583
COLORADO	601,231	211,410	675,531	69,960	21,933	99,665	46,499	82,525	1,808,754
CONNECTICUT	315,860	86,900	108,200	32,800	0	1,355,200	549,200	35,800	2,483,960
DELAWARE	381,300	90,100	749,180	1,000	0	1,095,100	12,050	1,277,650	3,606,380
FLORIDA	847,200	107,600	800,500	1,610,300	0	204,900	196,700	158,500	3,925,700
GEORGIA	1,072,600	414,100	1,281,700	144,100	0	1,500,000	620,400	267,900	5,300,800
HAWAII	193,208	76,610	608,138	61,000	0	2,365,420	126,230	88,080	3,518,686
IDAHO	518,708	368,859	793,415	46,400	15,587	312,400	298,260	737,779	3,091,408
ILLINOIS	2,558,524	1,272,494	2,213,139	1,275,636	0	692,300	713,448	175,678	8,901,219
INDIANA	2,501,817	1,042,141	2,308,102	139,309	0	1,160,148	221,164	160,307	7,532,988
IOWA	4,616,277	599,541	4,614,844	796,118	0	923,455	796,209	8,794,736	21,141,180
KANSAS	2,367,449	866,425	2,442,547	39,784	0	3,609,800	242,602	292,422	9,861,029
KENTUCKY	1,691,095	268,383	1,434,592	224,686	0	174,282	34,008	3,303,602	7,130,648
LOUISIANA	1,910,000	433,000	2,110,000	503,000	0	5,600,000	215,000	25,000	10,796,000
MAINE	290,423	33,277	299,966	40,250	0	37,307	231,106	18,525	950,854
MARYLAND	1,053,030	987,498	1,245,173	43,300	0	87,892	447,192	1,262,943	5,127,028
MASSACHUSETTS	278,900	111,300	310,100	356,200	0	406,500	149,600	960,200	2,572,800
MICHIGAN	1,776,599	653,950	3,611,600	1,156,825	0	593,300	355,096	0	8,147,370
MINNESOTA	1,478,387	1,437,433	2,576,678	1,486,863	0	4,555,563	460,779	2,868,320	16,864,023
MISSISSIPPI	819,369	234,296	1,468,115	37,000	0	926,539	326,221	130,016	3,941,556
MISSOURI	2,495,769	1,299,9[illegible]	5,820,217	322,418	0	939,664	402,360	1,951,643	13,232,063
MONTANA	1,066,479	1,051,173	3,876,993	356,560	27,900	144,420	957,090	338,573	7,819,188
NEBRASKA	3,108,664	1,035,783	4,562,297	12,200	0	3,798,305	420,289	1,075,596	14,013,134
NEVADA	156,730	27,248	102,338	1,249,400	7,250	24,340	800	30,000	1,598,106
NEW HAMPSHIRE	182,862	59,581	62,560	7,768	0	18,830	32,531	181,750	545,882
NEW JERSEY	718,774	198,616	305,924	1,000	0	3,295,236	616,100	601,400	5,737,050
NEW MEXICO	250,556	96,205	305,196	647,410	3,640	471,112	65,521	56,950	1,896,590
NEW YORK	1,899,394	1,574,970	5,701,932	197,923	0	4,649,876	731,320	338,966	15,094,381
NORTH CAROLINA	2,543,904	651,741	1,923,687	884,327	0	2,109,824	749,741	2,665,710	11,528,954
NORTH DAKOTA	805,015	296,346	931,870	183,494	0	368,617	77,046	170,731	2,833,119
OHIO	3,638,688	2,656,680	4,109,146	1,146,650	0	804,813	260,213	4,122,910	16,739,100
OKLAHOMA	1,350,424	703,062	4,904,600	35,320	0	2,025,364	199,255	485,720	9,703,745
OREGON	868,876	220,521	1,775,523	140,460	14,850	249,874	21,700	487,797	3,779,601
PENNSYLVANIA	3,172,437	1,071,569	1,005,687	4,500	0	98,859	166,569	152,809	5,672,430
RHODE ISLAND	35,000	33,250	25,000	0	0	6,800	54,300	30,000	184,350
SOUTH CAROLINA	1,135,445	342,712	816,960	223,100	0	1,629,280	269,992	579,585	4,997,074
SOUTH DAKOTA	588,097	135,780	608,198	139,100	0	49,850	86,174	114,152	1,721,351
TENNESSEE	874,967	291,465	764,273	194,888	0	342,396	80,479	145,999	2,694,467
TEXAS	1,791,478	775,862	2,465,175	21,950	0	2,763,811	543,463	407,647	8,769,386
UTAH	450,017	138,550	12,882,400	33,700	7,800	728,100	108,200	0	14,348,767
VERMONT	198,676	29,000	1,175,644	55,000	0	390,000	46,000	290,648	2,184,968
VIRGINIA	733,902	150,238	390,633	1,034,646	0	505,293	842,370	801,118	4,458,200
WASHINGTON	522,797	595,847	442,968	86,500	26,075	156,850	640,325	284,785	2,756,147
WEST VIRGINIA	399,050	213,295	339,465	23,750	0	3,586,155	432,775	576,900	5,571,390
WISCONSIN	2,025,749	1,153,042	2,999,822	414,390	0	236,943	80,445	2,252,089	9,162,480
WYOMING	329,020	100,290	450,020	52,340	9,400	10,830	265,590	163,080	1,380,570
TOTAL:	66,251,035	27,970,333	103,652,749	16,688,375	1,784,037	66,063,677	17,097,124	40,309,807	339,817,137

TABLE 3
CPA-5

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE

FUNDS APPROPRIATED BY STATE AND LOCAL GOVERNMENTS
FOR CONSERVATION PROGRAMS
FISCAL YEAR 1986 - (DOLLARS)

	STATE GOVERNMENT	LOCAL GOVERNMENT	TOTAL
ALABAMA	2,216,000	744,800	2,960,800
ALASKA	489,000	244,200	733,200
ARIZONA	1,578,719	3,341,663	4,920,382
ARKANSAS	3,066,000	553,100	3,619,100
CALIFORNIA	1,740,000	6,257,753	7,997,753
CARIBBEAN AREA	700,000	13,000	713,000
COLORADO	308,468	319,469	627,937
CONNECTICUT	1,719,500	548,260	2,267,760
DELAWARE	5,465,300	283,100	5,748,400
FLORIDA	1,305,000	1,918,500	3,223,500
GEORGIA	2,122,000	3,144,000	5,266,000
HAWAII	226,040	1,899,463	2,125,503
IDAHO	398,800	120,000	518,800
ILLINOIS	11,040,400	3,724,284	14,764,684
INDIANA	1,662,294	2,329,143	3,991,437
IOWA	12,818,455	1,409,064	14,227,519
KANSAS	3,677,566	816,505	4,494,071
KENTUCKY	4,244,800	1,347,000	5,591,800
LOUISIANA	3,800,000	165,000	3,965,000
MAINE	323,042	900,094	1,223,136
MARYLAND	3,778,477	1,737,047	5,515,524
MASSACHUSETTS	3,924,300	1,123,200	5,047,500
MICHIGAN	1,578,000	971,200	2,549,200
MINNESOTA	8,281,657	8,011,544	16,293,201
MISSISSIPPI	93,742	1,047,381	1,141,123
MISSOURI	17,907,900	1,113,000	19,020,900
MONTANA	1,300,543	1,282,455	2,582,998
NEBRASKA	1,341,835	18,964,000	20,305,835
NEVADA	37,100	73,500	110,600
NEW HAMPSHIRE	26,296	226,974	253,270
NEW JERSEY	1,346,403	1,411,038	2,757,441
NEW MEXICO	245,328	400,585	645,913
NEW YORK	3,040,000	16,558,611	19,598,611
NORTH CAROLINA	3,948,533	3,049,369	6,997,902
NORTH DAKOTA	1,185,115	911,200	2,096,315
OHIO	7,168,559	4,206,376	11,374,935
OKLAHOMA	3,336,937	2,570,332	5,907,269
OREGON	382,510	3,362,230	3,744,740
PENNSYLVANIA	936,000	265,000	1,201,000
RHODE ISLAND	59,100	21,600	80,700
SOUTH CAROLINA	2,424,500	1,291,446	3,715,946
SOUTH DAKOTA	249,639	972,201	1,221,840
TENNESSEE	826,651	910,030	1,736,681
TEXAS	2,765,774	7,518,562	10,284,336
UTAH	21,720,950	1,407,200	23,128,150
VERMONT	276,928	3,604	280,532
VIRGINIA	2,708,100	1,675,603	4,383,703
WASHINGTON	718,755	434,055	1,152,810
WEST VIRGINIA	2,049,225	1,036,025	3,085,250
WISCONSIN	5,644,600	6,487,450	12,132,050
WYOMING	293,650	127,350	421,000
TOTAL:	158,498,491	119,248,566	277,747,057

SOIL CONSERVATION SERVICE

Purpose Statement

The Soil Conservation Service (SCS) was established pursuant to Public Law 74-46, known as the Act of April 27, 1935, (16 U.S.C. 590a-590f). Technical programs are carried out in cooperation with conservation districts and other sponsoring local organizations. SCS provides technology transfer through soil conservation districts to landusers, communities, watershed groups, Federal and State agencies, and other cooperators with erosion control and water management problems to bring about needed land treatments and physical adjustments in land use. The purpose is to improve and conserve soil and water resource quantity and quality, improve agriculture, and reduce damage caused by floods and sedimentation.

The Soil Conservation Service has general responsibility for administration of the following programs of the Department of Agriculture:

Conservation Operations is authorized by Public Law 74-46, (16 U.S.C. 590a-590f). Activities include:

1. Conservation technical assistance provided to district cooperators and other landusers in the planning and application of conservation treatments to control erosion and improve the quantity and quality of soil resources, improve and conserve water, enhance fish and wildlife habitat, conserve energy, improve woodland, pasture and range conditions, and reduce upstream flooding; all to protect and enhance the natural resource base.

2. Inventory and monitoring to provide soil, water, and related resource data for land conservation, use, and development; guidance of community development; identification of prime agricultural producing areas that should be protected; use in protecting the quality of the environment; and to issue periodic inventory reports of resource conditions.

3. Soil surveys are made to inventory the Nation's basic soil resources and to determine land capabilities and conservation treatment needs. Soil survey publications include interpretations useful to cooperators, other Federal agencies, State and local organizations.

4. Snow survey and water forecasting from basic data collected to provide estimates of annual water availability from high mountain snow packs and relating this to summer stream flow in the western States and Alaska. Information is used by agriculture, industry, and cities in estimating future water supplies.

5. Operation of plant materials centers to assemble, test, and encourage increased use of plant species which show promise for use in the treatment of conservation problem areas.

6. Resource appraisal and program development to ensure that programs administered by the Secretary of Agriculture for the conservation of soil, water, and related resources shall respond to the Nation's long-term needs. This program is authorized by the Soil and Water Resources Conservation Act, Public Law 95-192, November 18, 1977 (16 U.S.C. 2001), as amended by the Food Security Act of 1985, Public Law 99-198.

River Basin Surveys and Investigations

This program is authorized by the Watershed and Flood Prevention Act, Public Law 83-566, Section 6, August 4, 1954, (16 U.S.C. 1006).

The program involves cooperation with other Federal, State, and local agencies in the conduct of river basin surveys and investigations, flood hazard analysis, and flood plain management assistance to aid in the development of coordinated water resource programs, including the development of guiding principles and procedures. SCS represents the Department on river basin regional entities and River Basin Interagency Committees for coordination among Federal Departments and States.

Watershed Planning

This activity is carried out under the Watershed and Flood Prevention Act, as amended, Public Law 83-566, August 5, 1954, (16 U.S.C. 1001-1008). The program consists of (a) making preliminary investigations to assess proposed small watershed projects in response to requests made by sponsoring local organizations and (b) assistance to sponsors in the development of watershed work plans. SCS is responsible for development of guiding principles and procedures.

Watershed and Flood Prevention Operations. Activities under this program include:

1. Watershed operations authorized by Public Law 78-534

SCS administers watershed works of improvement authorized by the Flood Control Act of 1944 (33 U.S.C. 701b-1).

Flood prevention operations include planning and installing works of improvement for flood prevention and for the conservation, development, utilization, and disposal of water. This may also include the development of recreational facilities and the improvement of fish and wildlife habitat. Activities are authorized in 11 specific flood prevention projects covering about 11 million acres.

2. Emergency operations authorized by Section 216, Public Law 81-516, (33 U.S.C. 701b-1) and Sections 403-405, Public Law 95-334, (16 U.S.C. 2203-2205)

Emergency operations provide for the installation of emergency measures for runoff retardation and soil-erosion prevention, in cooperation with landowners and land users, as the Secretary deems necessary to safeguard lives and property from floods, drought, and the products of erosion on any watershed whenever fire, flood, or any other natural occurrence is causing or has caused a sudden impairment of that watershed.

3. Small Watersheds authorized by Public Law 83-566, as amended, (16 U.S.C. 1001-1008)

This program provides for cooperation with local sponsors, State, and other public agencies in the installation of planned works of improvement in approved watershed projects. Such works of improvement reduce erosion, floodwater, and sediment damage. They also further the conservation, development, utilization, and disposal of water including the development of multipurpose facilities for such uses as recreation, improvement of fish and wildlife habitat, irrigation, and water supply to municipal and industrial users.

Great Plains Conservation Program

The Great Plains Conservation Program is authorized by Public Law 84-1021, as amended, (16, U.S.C. 590p (b)). The program's objective is to bring about a long-term solution to problems resulting from drought and the cultivation of land unsuited for sustained crop production in the 10 Great Plains States. Activities include:

1. Cost-sharing of permanent conservation practices under long-term contracts with farmers and ranchers in designated counties in the 10 Great Plains States.

2. Cost-share programming and contract administration and technical assistance to help make needed land use adjustments and install conservation measures specified in basic conservation plans in accordance with contract schedules.

Resource Conservation and Development Program

Section 102 of the Food and Agriculture Act of 1962 (Public Law 87-703), (16 U.S.C. 1010-1011) and Sections 1528-1538 of the Agriculture and Food Act of 1981 (Public Law 97-98) provide authority to assist locally sponsored Resource Conservation and Development Projects to conduct programs of land conservation and use in areas where acceleration of present conservation activities are needed and where projects add economic opportunities to the people.

Program Administration: The Soil Conservation Service maintains its central office in Washington, D.C. Most of its activities are carried out in about 3,050 field offices in the 50 States and Puerto Rico. Four technical service centers provide program coordination and technical support. This includes services such as engineering, watershed planning, cartographic work, soil mechanics laboratories, information, professional help in agronomy, soils, biology, forestry, plant materials, range conservation, and other technical work. As of September 30, 1985, there were 12,629 full-time employees and 1,371 part-time, intermittent, and other employees. Of these, 415 full-time employees and 29 other employees were located in the Headquarters.

Available Funds and Staff-Years
1985 and Estimated, 1986 and 1987

ITEM	1985 Actual		1986 Estimated		1987 Estimated	
	Amount 1/	Staff Years	Amount	Staff Years	Amount	Staff Years
Soil Conservation Service:						
Conservation Operations...	364,920,000	9,665	363,960,000	9,690	361,996,000	9,367
River Basin Surveys and Investigations...........	14,906,000	317	14,803,000	315	9,472,000	31
Watershed Planning........	8,922,000	192	8,861,000	192	6,480,000	18
Watershed and Flood Prevention Operations....	183,843,000	2,187	230,620,000	2,346	67,778,000	206
Great Plains Conservation Program.................	21,531,000	249	21,394,000	249	--	--
Resource Conservation and Development..............	26,320,000	408	26,145,000	407	11,400,000	41
Total..................	620,442,000	13,018	665,783,000	13,199	457,126,000	9,663
Deduct allotments to other agencies:						
ERS.....................	-324,253	-5	-175,000	-3	--	--
FS......................	-6,989,666	-130	-6,164,000	-125	--	--
FmHA....................	-731,000	-26	-641,000	-23	--	--
Net.....................	612,397,076	12,857	658,803,000	13,048	457,126,000	9,663
Obligations under other USDA appropriations:						
Reimbursements for technical services to:						
Agricultural Conservation Program (ASCS).....	9,158,442	324	9,500,000	336	--	--
Experimental Rural Clean Water Program (ASCS)....	1,157,573	35	1,300,000	39	1,300,000	39
Water Bank Program (ASCS)	373,524	9	400,000	9	--	--
Emergency Conservation Program (ASCS)..........	415,998	13	500,000	15	--	--
Foreign Details and Assignments (OICD)......	1,279,451	19	1,300,000	22	1,300,000	22
Soil Survey (FS).........	521,374	15	500,000	14	500,000	14
Accelerate Soil Surveys..	54,069	2	60,000	2	60,000	2
Other: planning and application............	93,658	2	140,000	3	140,000	3
Plant Materials Centers Operations..............	23,092	--	23,000	--	23,000	--
Reimbursement for other services for:						
Facilities: Rent, phone, utilities, etc.........	2,529,036	--	2,653,157	--	2,616,000	
Proceeds of sales	1,802	--	--	--	--	--
Financial assistance....	--	--	20,000	--	--	--
Miscellaneous............	312,113	2	365,437	2	337,000	2
Total, Other USDA Appropriations......	15,920,132	421	16,761,594	442	6,276,000	82
Total, Agriculture Appropriations......	628,317,208	13,278	675,564,594	13,490	463,402,000	9,745
Obligations under other Federal appropriations:						
Reimbursement for technical services for						
Soil surveys (Interior)..	1,354,774	43	1,250,000	38	1,250,000	38
Accelerate Soil Surveys..	1,223,741	36	1,300,000	31	1,300,000	31
Welton Mohawk Salinity Control (Interior)......	2,370,640	10	2,500,000	12	2,500,000	12
Other: planning and application............	1,057,620	12	1,278,000	15	1,278,000	15
Snow Survey and Water Forecasting............	951,800	2	175,000	2	175,000	2
Plant Materials Center Operations..............	59,092	--	60,000	--	60,000	--
Cooperative surveys (RB).	53,972	2	52,390	2	--	--

Available Funds and Staff-Years 1985 and Estimated, 1986 and 1987 - Continued

ITEM	1985 Actual		1986 Estimated		1987 Estimated	
	Amount 1/	Staff Years	Amount	Staff Years	Amount	Staff Years
Flood Insurance Studies (HUD)...................	594,903	11	581,000	11	--	
Reimbursement for other services for:						
Facilities: Rent, phone, utilities, etc..........	11,792	--	10,628	--	10,000	--
Proceeds of sales........	30,437	--	--	--	--	--
Miscellaneous............	1,880,762	31	2,055,936	32	1,805,000	23
Allocation from Other Federal Agencies:						
Rural Abandoned Mines Program (DOI-OSM).......	10,917,076	125	9,463,000	108	800,000	--
Obligations under non-Federal Funds:						
Reimbursement for technical service for:						
Planning and application.	1,122,288	34	1,800,000	35	1,800,000	35
Accelerate Soil Surveys..	4,831,048	139	5,000,000	150	5,000,000	150
Resource Surveys.........	--	--	--	--	--	--
Snow Survey and Water Forecasting.............	88,345	1	86,000	1	88,000	1
Plant Materials Centers Operations..............	107,213	--	110,000	--	110,000	--
A&E Contracts............	15,626	--	27,767	--	--	--
Cooperative River Basin Surveys.................	256,980	5	250,610	5	--	--
Watershed Planning.......	429,200	13	728,103	13	--	--
Abandoned Mine Reclamation	3,034,752	23	5,000,000	38	5,000,000	38
Reimbursement for other: services for:						
Facilities: Rent, phone, utilities, etc..........	182,431	--	206,925	--	180,000	--
Proceeds of sales........	965,430	--	1,584,795	--	1,017,000	--
Financial Assistance.....	5,792,653	--	9,556,400	--	--	--
Miscellaneous............	580,839	13	1,032,852	13	670,000	10
Trust funds:						
Small Watershed and Resource Conservation and Development Projects.....	1,641,913	24	560,000	24	560,000	2
(Subtotal)...............	(55,481,509)	(945)	(61,433,000)	(972)	(29,879,000)	(439)
Total, Soil Conservation Service.................	667,878,585	13,802	720,236,000	14,020	487,005,000	10,102

Full-Time Equivalent Staff-Years:	1985 Actual	1986 Estimated	1987 Estimated
Ceiling..................................	13,612	13,804 a/	10,000
Non-ceiling..............................	190	216	102
Total..................................	13,802	14,020	10,102

1/ Conservation Operations - Excludes $509,667 carryover for FY 1985 and $334,074 carryover for FY 1986.
River Basin Surveys and Investigations - Excludes $20,739 carryover for FY 1985 and $20,739 carryover for FY 1986.
Watershed and Flood Prevention - Excludes $40,946,858 carryover for FY 1985 and $16,291,063 carryover for FY 1986.
Great Plains Conservation Program - Excludes $30,105 carryover for FY 1985 and $38,983 carryover for FY 1986.
Resource Conservation and Development - Excludes $1,561,111 carryover for FY 1985 and $1,616,404 carryover for FY 1986.

a/ The SCS was provided a ceiling of 14,177 staff years for FY 1986. However, the level of funding resulting from continuing appropriations is projected to fund only 13,804 staff years for FY 1986.

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE
Permanent Positions by Grade and Staff-Year Summary
1985 and Estimated 1986 and 1987

Grade	1985 Head-quarters 1/	1985 Field	1985 Total 3/	1986 Head-quarters 1/	1986 Field	1986 Total 3/	1987 Head-quarters 1/	1987 Field	1987 Total 3/
ES-6	1	--	1	1	--	1	1	--	1
ES-5	10	--	10	10	--	10	9	--	9
ES-4	6	1	7	6	1	7	5	1	6
ES-3	3	--	3	7	--	7	6	--	6
ES-2	1	--	1	1	--	1	--	--	--
ES-1	--	1	1	--	1	1	--	1	1
GS/GM-15	45	51	96	48	53	101	43	53	96
GS/GM-14	87	87	174	90	91	181	73	74	147
GS/GM-13	66	478	544	72	496	568	58	395	453
GS-12	31	1,122	1,153	30	1,170	1,200	27	818	845
GS-11	20	3,342	3,362	21	3,473	3,494	17	2,374	2,391
GS-10	6	9	15	6	9	15	5	6	11
GS-9	23	2,068	2,091	27	2,148	2,175	22	1,498	1,520
GS-8	8	107	115	8	111	119	7	77	84
GS-7	30	1,632	1,662	32	1,695	1,727	25	1,178	1,203
GS-6	32	1,143	1,175	34	1,187	1,221	27	830	857
GS-5	26	1,172	1,198	32	1,217	1,249	25	850	875
GS-4	8	672	680	8	698	706	7	490	497
GS-3	7	241	248	8	250	258	7	175	182
GS-2	4	29	33	4	30	34	3	21	24
GS-1	--	--	--	--	--	--	--	--	--
Other Graded Positions	9	--	9	22	--	22	16	--	16
Ungraded Positions	1	59	60	1	59	60	1	42	43
Total Perm. Positions	424	12,214	12,638	468	12,689	13,157	384	8,883	9,267
Staff-Years:									
Ceiling	440	13,172	13,612	440	13,364	13,804 4/	395	9,605	10,000
Non-Ceiling 2/	15	175	190	15	201	216	8	94	102
TOTAL	455	13,347	13,802	455	13,525	14,020	403	9,699	10,102

1/ Includes Other National Unit positions for the National Plant Materials Center and the National Soil Survey Editorial Staff.

2/ Includes staff-years for stay-in-school positions.

3/ Includes positions for Rural Abandoned Mine Program.

4/ Fundable ceiling. Ceiling floor of 14,177 was included in appropriations legislation for FY 1986.

SOIL CONSERVATION SERVICE

CLASSIFICATION BY OBJECTS
1985 and Estimated 1986 and 1987

		1985	1986	1987
Personnel Compensation:				
	Headquarters	$16,859,026	$17,088,708	$15,341,010
	Field	321,529,138	325,917,292	254,144,990
11	Total personnel compensation.	338,388,164	343,006,000	259,486,000
12	Personnel Benefits	49,850,893	50,527,000	38,259,000
13	Benefits for former personnel	548,242	551,000	29,337,000
	Total Personnel Comp. & Benefits.	388,787,299	394,084,000	337,082,000
Other Objects:				
21	Travel	11,403,378	11,540,000	9,112,000
22	Transportation of things	3,649,609	3,685,000	3,184,000
23.2	Rental payments to others	11,192,235	12,701,000	11,726,000
23.3	Communications, utilities, and miscellaneous charges	16,803,025	17,524,000	14,918,000
24	Printing and reproduction	3,495,052	3,523,000	3,154,000
25	Other services	29,515,706	37,067,000	54,548,000
	Construction contracts	59,384,639	77,578,000	--
26	Supplies and materials	11,994,848	12,131,000	10,161,000
31	Equipment	24,199,962	18,876,000	13,126,000
32	Lands and structures	31,747	33,000	32,000
33	Investments and loans			
41	Grants, subsidies, and indemnities	76,206,335	88,716,000	--
42	Insurance claims and indemnities	89,052	93,000	83,000
	Total other objects	247,965,588	283,467,000	120,044,000
Total direct obligations		636,752,887	677,551,000	457,126,000
Position Data:				
	Average Salary, ES positions	$65,168	$65,639	$65,698
	Average Salary, GS positions	$27,458	$27,655	$27,652
	Average Grade, GS positions	8.89	8.76	8.75

UNITED STATES DEPARTMENT OF AGRICULTURE
Soil Conservation Service

Personnel Summary
FY 1985 Actual

	Agency 1/	Full-Time	Other	Overtime & Holidays Worked	Total Staff Years 2/
Conservation Operations..........	SCS	9,105	461	99	9,665
River Basin Surveys and Investigations..	SCS	273	16	3	292
	ERS	5	--	--	5
	FS	20	--	--	20
	Subtotal	289	16	3	317
Watershed Planning....	SCS	182	5	1	188
	FS	4	--	--	4
	Subtotal	186	5	1	192
Watershed and Flood Prevention Operation	SCS	1,843	143	77	2,063
	FmHA	21	--	--	21
	FS	59	38	6	103
	Subtotal	1,923	181	83	2,187
Great Plains Conservation Program........	SCS	241	6	2	249
Resource Conservation and Development.....	SCS	340	55	5	400
	FmHA	5	--	--	5
	FS	3	--	--	3
	Subtotal	348	55	5	408
Total Direct Program..	SCS	11,984	686	187	12,857
	ERS	5	--	--	5
	FmHA	26	--	--	26
	FS	86	38	6	130
	Subtotal	12,101	724	193	13,018
Reimbursable Programs.	SCS	776	20	--	796
Miscellaneous Contributed Funds...........	SCS	22	2	--	24
Allocation from DOI (Abandoned Mines)...	SCS	115	7	3	125
Total Program.........	SCS	12,897	715	190	13,802
	ERS	5	--	--	5
	FmHA	26	--	--	26
	FS	86	38	6	130
	Subtotal	13,014	753	196	13,963

1/ SCS: Soil Conservation Service
ERS: Economic Research Service
FS: Forest Service
FmHA: Farmers Home Administration

2/ Includes 110 staff-years for non-ceiling stay-in-school, worker trainee, and summer aid positions and 86 staff-years for overtime and holidays worked.

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE

Personnel Summary by Organization Level
FY 1985

	Positions Authorized Permanent	Positions Authorized Temporary	Positions Filled Permanent	Positions Filled Temporary	Average GS & GM Salary 3/	Average GS & GM Grade 3/	Average Salary - Ungraded 3/	Staff-Years GS & GM Personnel 2/
Washington Headquarters........	473	23	424	23	$36,072	10.82	$18,252	455
Technical Service Centers (Incl. CA)..................	548	34	524	34	$29,252	9.19	$22,929	543
Other National Units...........	45	20	45	20	N/A	N/A	N/A	55
State Offices.................	1,281	142	1,250	142	$22,255	7.93	$22,574	1,357
State Technical Specialists....	565	60	545	60	N/A	N/A	N/A	593
Plant Materials Centers........	78	44	77	44	N/A	N/A	N/A	102
Miscellaneous State Units......	688	99	675	99	N/A	N/A	N/A	735
Area Office Staffs.............	1,515	125	1,480	125	N/A	N/A	N/A	1,584
Miscellaneous Area Units.......	1,343	192	1,319	192	N/A	N/A	N/A	1,497
Field Office Staffs............	6,486	533	6,299	533	N/A	N/A	N/A	6,881
Subtotal, SCS Direct, and Reimbursable and Miscellaneous Contributed Funds......................	13,022	1,272	12,638	1,272	$27,458	8.89	$22,717	13,802
Allocations to Other Agencies:								
Economic Research Service....	--	--	--	--			--	5
Farmers Home Administration..	--	--	--	--			--	26
Forest Service...............	--	--	--	--			--	121
Subtotal, Allocations........	--	--	--	--			--	152
Total..........................	13,022	1,272	12,638	1,272	N/A	N/A	N/A	13,954

1/ Includes other National Unit positions for the National Plant Materials Center and the National Soil Survey Editorial Staff.
2/ Includes 196 nonceiling staff years.
3/ This is not figured below the State Office level.

UNITED STATES DEPARTMENT OF AGRICULTURE
SOIL CONSERVATION SERVICE
(SCS Only)
Salaries and Expenses
FY 1985 Actual
(Dollars in Thousands)

	Total Obligations	Conservation Operations	River Basin Surveys and Investigations	Watershed Planning	Watershed and Flood Prevention Operations	Great Plains Conservation Program	Resource Conservation and Development
Management and Program Direction							
Washington Headquarters.....	26,400	19,676	1,224	209	4,276	352	663
State Offices...............	61,918	41,278	1,693	960	14,328	1,103	2,556
Technical Service Centers...	3,294	2,534	95	176	414	3	72
SUBTOTAL..................	91,612	63,488	3,012	1,345	19,018	1,458	3,291
%.........................	18.44	17.40	22.46	15.60	22.57	16.12	19.84
Technical Support							
State Technical Specialists.	26,028	17,984	890	564	5,606	267	717
Technical Service Centers...	7,228	4,582	605	1,099	666	98	178
Other National Units........	--	--	--	--	--	--	--
SUBTOTAL..................	33,256	22,566	1,495	1,663	6,272	365	895
%.........................	6.69	6.19	11.15	19.28	7.44	4.03	5.39
Program Operations							
Technical Service Centers...	17,053	12,084	461	429	3,894	2	183
Plant Materials Centers.....	3,615	3,577	--	--	38	--	--
Other National Units........	9,287	6,952	190	182	1,581	103	279
Miscellaneous State Units...	29,202	5,992	6,197	4,256	11,915	44	798
Area Office Staffs..........	57,925	43,443	652	261	9,770	1,545	2,254
Miscellaneous Area Units....	45,660	23,597	282	71	15,356	54	6,300
Field Office Staffs.........	209,168	183,134	1,123	416	16,428	5,475	2,592
SUBTOTAL..................	371,910	278,779	8,905	5,615	58,982	7,223	12,406
%.........................	74.87	76.41	66.39	65.12	69.99	79.85	74.77
TOTAL.......................	496,778	364,833	13,412	8,623	84,272	9,046	16,592
%...........................	100.00	100.00	100.00	100.00	100.00	100.00	100.00

	Total Obligations	Conservation Operations	River Basin Surveys and Investigations	Watershed Planning	Watershed and Flood Prevention Operations	Great Plains Conservation Program	Resource Conservation and Development
Organizational Summary							
Washington Headquarters......	26,400	19,676	1,224	209	4,276	352	663
State Offices................	61,918	41,278	1,693	960	14,328	1,103	2,556
State Technical Specialists..	25,864	17,984	890	564	5,606	103	717
Technical Service Centers....	27,739	19,200	1,161	1,704	4,974	267	433
Plant Materials Centers......	3,615	3,577	--	--	38	--	
Other National Units.........	9,287	6,952	190	182	1,581	103	279
Miscellaneous State Units....	29,202	5,992	6,197	4,256	11,915	44	798
Area Office Staffs...........	57,925	43,443	652	261	9,770	1,545	2,254
Miscellaneous Area Units.....	45,660	23,597	282	71	15,356	54	6,300
Field Office Staffs..........	209,168	183,134	1,123	416	16,428	5,475	2,592
TOTAL SCS.................	496,773	364,833	13,412	8,623	84,272	9,046	16,592
Cost-Share/Construction......	139,975	--	--	--	118,759	12,476	8,740
TOTAL SCS OBLIGATION NET...	636,753	364,833	13,412	8,623	203,031	21,522	25,332
ERS..........................	324		324	--	--	--	--
FmHA.........................	731	--	--	--	590	--	141
FS...........................	6,987	--	1,084	234	4,877	--	792
Subtotal..................	8,042	--	1,408	234	5,467	--	933
TOTAL OBLIGATIONS, NET OF REIMBURSEMENTS..............	644,795	364,833	14,820	8,857	208,498	21,522	26,265

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Conservation Operations

For necessary expenses for carrying out the provisions of the Act of April 27,
1935 (16 U.S.C. 590a-590f) including preparation of conservation plans and
establishment of measures to conserve soil and water (including farm
irrigation and land drainage and such special measures for soil and water
management as may be necessary to prevent floods and the siltation of
reservoirs and to control agricultural related pollutants); operation of
conservation plant materials centers; classification and mapping of soil;
dissemination of information; acquisition of lands by donation, exchange, or
purchase at a nominal cost not to exceed $100; purchase and erection or
alteration or improvement of permanent and temporary buildings; and operation
and maintenance of aircraft, [$365,460,000] $361,996,000; of which not less
than [$3,973,000] $5,039,000 is for snow survey and water forecasting and not
less than [$4,089,000] $4,147,000 is for operation of the plant materials
1 centers: Provided, [That of the foregoing amounts not less than $290,204,000
is for personnel compensation and benefits: Provided further, That in
2 addition to the above amounts, $8,000,000 is hereby appropriated to be
transferred to and merged with the watershed and flood prevention operations
appropriation for use in carrying out activities authorized under the Public
Law 534 program: Provided further,] That the cost of any permanent building
purchased, erected, or as improved, exclusive of the cost of constructing a
water supply or sanitary system and connecting the same to any such building
and with the exception of buildings acquired in conjunction with land being
purchased for other purposes, shall not exceed $10,000, except for one
building to be constructed at a cost not to exceed $100,000 and eight
buildings to be constructed or improved at a cost not to exceed $50,000 per
building and except that alterations or improvements to other existing
permanent buildings costing $5,000 or more may be made in any fiscal year in
an amount not to exceed $2,000 per building: Provided further, That when
buildings or other structures are erected on non-Federal land that right to
use such land is obtained as provided in 7 U.S.C. 2250a: Provided further,
That no part of this appropriation may be expended for soil and water
conservation operations under the Act of April 27, 1935 (16 U.S.C. 590a-590f)
in demonstration projects: Provided further, That this appropriation shall be
3 available for [field] employment pursuant to the second sentence of section
706(a) of the Organic Act of 1944 (7 U.S.C. 2225) and not to exceed $25,000
shall be available for employment under 5 U.S.C. 3109: Provided further, That
qualified local engineers may be temporarily employed at per diem rates to
perform the technical planning work of the Service.

The first change in language proposes deletion of the language included in the conference version of H.R. 3037 making appropriations for Agriculture, Rural Development and Related Agencies, 1986, and enacted by Public Law 99-190, establishing a floor on the amount of funds available for personnel compensation and benefits. This limitation severely limits managerial flexibility in maintaining the proper balance between staffing needs and other support items such as travel, training, and equipment that are required for the effective delivery of program services to farmers, ranchers and others who participate in conservation programs. It also adds unnecessarily to administrative overhead costs because of the need to establish accounting and other managerial mechanisms to ensure compliance with this limitation.

The second change proposes deletion of language which provided an additional $8,000,000 to be transferred to Watershed and Flood Prevention Operations for use in the P.L. 534 program. Since this transfer was applicable to fiscal year 1986 only, retention of the language in 1987 is unnecessary.

The third change would extend the authority for utilizing temporary employment by contract or otherwise pursuant to 7 U.S.C. 2225, and currently applicable only to "field" employment, to include all organizational levels, field and Headquarters, of the Soil Conservation Service. In the development and maintenance of state-of-the-art technical standards for conservation measures and related management practices, there is a need to interact with the scientific community on an "as-needed" basis to take advantage of technical expertise that is not available in the agency and that is needed to ensure the quality and acceptability of SCS recommendations to landowners and users and other decisionmakers in developing conservation policies and in managing soil and water resources on private lands. There is also a need to obtain temporary clerical assistance from time to time to handle peak workload situations without incurring the long-term costs associated with adding additional staff. This authority would be used in short-term situations where other administrative mechanisms such as contracting or normal personnel procedures are not feasible or cost-effective.

Conservation Operations

Appropriation Act, 1986		$373,460,000
Budget Estimate, 1987		361,996,000
Decrease in Appropriation		-11,464,000
Adjustments in 1986:		
Appropriations Act, 1986	$373,460,000	
Less Pro-Rata Reduction, P.L. 99-190	-2,241,000	
Net Appropriations	371,219,000	
Less Transfer to Watershed and Flood Prevention Operations, P.L. 99-190	-7,952,000	
Transfer to Departmental Administration, SLUC account a/	+1,022,000	
Transfer to Department Administration and the Office of Governmental and Public Affairs for Reimbursable Activities b/	-329,000	
Adjusted base for 1986		$363,960,000
Budget Estimate, 1987		361,996,000
Decrease from adjusted 1986		-1,964,000

a/ Funds were transferred from Departmental Administration, SLUC account for leases reassigned by GSA to SCS in 1986.

b/ A transfer of $277,000 to Departmental Administration (DA) and $52,000 to the Office of Governmental and Public Affairs (OGPA) to fund activities previously financed on a reimbursable basis as a direct appropriation in FY 1987.

SUMMARY OF INCREASES AND DECREASES
(on basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Technical assistance	$282,729,000	+$3,307,000	$286,036,000
Inventory and monitoring	12,307,000	-2,618,000	9,689,000
Soil Survey	57,932,000	-2,572,000	55,360,000
Snow survey and water forecasting	3,945,000	+1,094,000	5,039,000
Operation of plant materials centers	4,061,000	+86,000	4,147,000
Resource appraisal and program development	2,986,000	-1,261,000	1,725,000
TOTAL AVAILABLE	$363,960,000	-$1,964,000	$361,996,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985		1986 estimated		Increase or Decrease	1987 estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Technical assistance:							
(a) Planning	$132,700,210	3,665	$132,515,080	3,676	+$1,549,990	$134,065,070	3,676
(b) Application	150,423,790	4,155	150,213,920	4,167	+1,757,010	151,970,930	4,167
Total, technical assistance	283,124,000	7,820	282,729,000	7,843	+3,307,000(1)	286,036,000	7,843
2. Inventory & monitoring	14,608,000	323	12,307,000	274	-2,618,000(2)	9,689,000	32
3. Soil surveys	54,810,000	1,295	57,932,000	1,346	-2,572,000(3)	55,360,000	1,296
4. Snow survey and water forecasting	3,973,000	78	3,945,000	78	+1,094,000(4)	5,039,000	78
5. Operation of plant materials centers	4,089,000	115	4,061,000	115	+86,000(5)	4,147,000	115
6. Resource appraisal and program development	4,316,000	33	2,986,000	33	-1,261,000(6)	1,725,000	3
7. Rural clean water program c/	- -	1	- -	1	- -	- -	- -
Total available or est	364,920,000	9,665	363,960,000	9,690	-$1,964,000	$361,996,000	9,367
Transfer from DA, SLUC account	-360,000	- -	-1,022,000	- -			
Transfer to DA and OGPA	- -	- -	+329,000	- -			
Transfer to WFPO	- -	- -	+7,952,000	- -			
Total, appropriation	$364,560,000	9,665	$371,219,000	9,690			

c/ Funds appropriated in FY 1978 only.

PROJECT STATEMENT
(On basis of available funds)

Project	1985		1986 estimated		Increase or Decrease	1987 estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Direct obligations:							
1. Technical assist.:							
(a) Planning	$132,623,017	3,665	$132,567,988	3,676	+$1,497,082	$134,065,070	3,676
(b) Application	150,336,268	4,155	150,273,890	4,167	+1,697,040	151,970,930	4,167
Total, technical assistance	282,959,285	7,820	282,841,878	7,843	+3,194,122	286,036,000	7,843
2. Inventory & monitoring	14,543,384	323	12,307,000	274	-2,618,000	9,689,000	32
3. Soil surveys	54,780,545	1,295	57,932,000	1,346	-2,572,000	55,360,000	1,296
4. Snow survey and water forecasting	3,966,106	78	3,945,000	78	+1,094,000	5,039,000	78
5. Operation of plant materials centers	4,086,773	115	4,061,000	115	+86,000	4,147,000	115
6. Resource appraisal and program development	4,305,065	33	2,986,000	33	-1,261,000	1,725,000	3
7. Rural clean water program	191,728	1	221,196	1	-221,196	- -	- -
Total direct obligations	364,832,888	9,665	364,294,074	9,690	-2,298,074	361,996,000	9,367
Unobligated balance brought forward	(-509,667)	- -	(-334,074)	- -	(+334,074)	- -	- -
Unobligated balance carried forward	(334,074)	- -	(- -)	- -	- -	- -	- -
Unobligated balance lapsing	(262,705)	- -	(- -)	- -	- -	- -	- -
Adjusted appropriation	(364,920,000)	9,665	(363,960,000)	9,690	(-1,964,000)	(361,996,000)	9,367
Reimbursable obligations:							
1. Technical assistance	23,943,223	489	26,588,000	532	-10,400,000	18,188,000	172
2. Inventory & monitoring	80,729	- -	81,000	- -	-81,000	- -	- -
3. Soil surveys	9,675,580	261	9,841,000	262	- -	9,841,000	262
4. Snow survey and water forecasting	1,056,593	3	279,000	3	- -	279,000	3
5. Operation of plant materials centers	201,875	- -	211,000	- -	- -	211,000	- -
6. Resource appraisal & program devel.	298	- -	- -	- -	- -	- -	- -
Total, reimbursable obligations	34,958,298	753	39,000,000	797	- 10,481,000	28,519,000	437
Obligational authority	$399,791,186	10,418	$403,294,074	10,487	-$12,779,074	$390,515,000	9,804

SOURCES OF REIMBURSEMENTS

Project	1985		1986 estimated		Increase or Decrease	1987 estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Within USDA:							
Agricultural Stabilization & Conservation Service	$11,105,537	381	$11,700,000	399	-$10,400,000	$1,300,000	39
Office of International Cooperation & Development	1,279,451	19	1,300,000	22	- -	1,300,000	22
Other	3,462,286	21	3,693,000	21	-17,000	3,676,000	21
Other Federal	8,593,830	125	8,380,000	121	-2,000	8,378,000	121
Non-Federal:							
State & Counties for soil surveys	4,831,048	139	5,000,000	150	- -	5,000,000	150
Other	5,686,146	68	8,927,000	84	-62,000	8,865,000	84
Total reimbursements	$34,958,298	753	$39,000,000	797	-$10,481,000	$28,519,000	437

OUTLAYS

Project	1985 Actual	1986 Estimated	Increase or Decrease	1987 Estimated
1. Technical assistance:				
(a) Planning................	$133,734,544	131,497,060	+2,180,860	133,677,920
(b) Application.............	151,596,251	149,059,940	+2,472,140	151,532,080
Total, technical assistance.	285,330,795	280,557,000	+4,653,000	285,210,000
2. Inventory and monitoring....	14,678,570	12,368,000	-2,454,000	9,914,000
3. Soil Surveys................	55,219,382	57,234,000	-1,843,000	55,391,000
4. Snow survey and water forecasting................	4,009,935	3,915,000	+1,029,000	4,944,000
5. Operation of plant materials centers....................	4,120,300	4,030,000	+102,000	4,132,000
6. Resource appraisal and program development........	4,341,031	3,057,000	-1,214,000	1,843,000
7. Rural clean water program...	183,942	216,000	-200,000	16,000
Total outlays..................	367,883,955	361,377,000	+ 73,000	361,450,000

EXPLANATION OF PROGRAM

The appropriation "Conservation Operations," funds seven Soil Conservation Service activities authorized by the Act of April 27, 1935, (16 U.S.C. 590a-590f); the Soil and Water Resources Conservation Act of 1977, (16 U.S.C. 2001-2009), and Section 35 of the Rural Clean Water Act of 1977, (33 U.S.C. 1251, 1281). These activities are designed to reduce erosion, solve soil and water management problems, bring about physical adjustments in land use, improve agriculture, and reduce damage caused by floods and sedimentation. Activities include:

1. Technical assistance - The Soil Conservation Service provides technical assistance to 2,934 conservation districts. These districts, formed under State enabling legislation and locally controlled, have within their boundaries about 99 percent of the farms and ranches in the Nation. Through these conservation districts, the Soil Conservation Service provides technical help to more than 2,300,000 district cooperators, who are primarily farmers and ranchers, having land use and conservation problems.

   More than 900,000 district cooperators receive help on an annual basis. About 29,000 State and local units of government were assisted with problems of land use, conservation, or building and water resource developments during FY 1985.

   Conservation plans developed by land users consist of their decisions to achieve conservation objectives, and contain soil and capability maps and other basic resource data interpreted for alternative uses and treatment.

   Installation services are provided to cooperating land users to help them apply planned conservation systems. These services include site investigation, designs and specifications, construction plans, and layout of practices.

   Technical services are provided to individuals and groups participating in the Agricultural Conservation Program for site selection, layout, or establishment of specified conservation practices.

   Accelerated technical assistance is also provided in targeted geographical areas of the country with severe erosion, water conservation, and water quality problems. This effort was initiated in FY 1981 at a funding level of $4 million designated from technical assistance funds to provide accelerated assistance in 205 counties with identified critical soil and water resource problems in 15 States. In fiscal years 1984 and 1985, $27.5 million has been designated for accelerated technical assistance in targeted areas covering 109.3 million acres of cropland in 835 counties in 44 States and Puerto Rico. In 1985, 5.8 million acres of cropland were benefited, 43.2 million tons of erosion was reduced, and .5 million acre feet of water were conserved in targeted areas. Projections for 1986 indicate 5.9 million acres of cropland will be benefited and 45 million tons of erosion will be reduced in targeted areas.

The Food Security Act of 1985, Title XII, provides authority for up to a 45 million acre Conservation reserve. The Act also provides authority to a) deny participation in USDA programs to producers who do not meet minimum requirements for protecting highly erodible land or wetlands (sodbuster and swampbuster provisions) and b) require producers, beginning in 1990, to at least be in the process of implementing a conservation plan to protect their erosion prone land (conservation compliance provisions). Priority for technical assistance provided through the nationwide system of district offices will be given to the requests generated by these new provisions. The needs for servicing the 5 million acres to be enrolled in 1986 and the 10 million acres in 1987 will be primarily funded from this account.

Overall accomplishments under the Conservation Technical Assistance program, including the above targeting accomplishments are as follows:

	FY 1985 Actual	FY 1986* Estimate	FY 1987* Estimate
Decisionmakers receiving technical services (000's)..................	943	940	940
Acres improved through conservation technical assistance (000's)......	64,441	64,500	64,500
Tons of soil erosion reduced (000's)	230,532	232,332	232,332

*Acres improved and tons of soil saved do not reflect the impact of the new Conservation Reserve Program. When fully implemented, the 40 million acre reserve would save an estimated 760 million tons of soil annually.

2. Inventory and monitoring - The inventory and monitoring program provides for collecting and interpreting natural and related resource data, other than soil survey data, for national assessments, and providing the results to users for resource programming and planning decisions. In addition, special resource inventories are made of wind erosion conditions in the Great Plains, and for identification of important farmlands and areas with critical erosion rates.

3. Soil surveys - Special investigations and interpretations are made to determine the kinds of soil, potential alternative uses, and their needs for full use and conservation. Each soil survey includes field mapping and necessary correlation, interpretation, investigations, and laboratory work. These surveys are conducted cooperatively with other Federal agencies, land grant colleges, other State agencies, and local organizations. The published soil survey for a county or designated area includes maps with explanatory information useful in many Federal, State, county, and local community programs. Special reports are prepared and released as needed for local uses.

   Actual and projected accomplishments for the soil survey program are as follows:

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Acres mapped annually by SCS (millions).....	40.2	43.7	43.0
Soil surveys ready for publication (number).	73	77	80

4. Snow survey and water forecasting - Snow survey and water forecasting provides a valuable service to irrigators and others who rely upon snow data and water supply forecasts in planning annual operations. More than 10,000,000 acres of irrigated land in the Western States and Alaska are served by water supply forecasts. Although water supply forecasts are geared primarily to the needs of rural farm and ranch operators, they are used extensively by a wide variety of water management groups that have responsibility for flood control, recreation, fish and wildlife, power generation, municipal and industrial water supply, and water quality management.

5. Operation of plant materials centers - Plant materials centers are operated for testing, selection, and providing for the commercial production of plants for erosion control, special conservation purposes, and adaptation to unusual soil and site conditions. The work at the 21 centers includes cooperation with State and Federal agencies, commercial businesses, and seed and nursery associations to encourage production, release, and use of new or uncommon plant materials needed in soil and water conservation programs. Over 160 new conservation plant varieties from this program are in large scale use in combating the many problems encountered in a total program of soil, water, and related resource conservation. An average of 14 new conservation plants have been released during the last 5 years for conservation purposes.

6. Resource appraisal and program development - Activities carried out under this program include a nationwide soil, water, and related resource appraisal and development of future long-range conservation programs which will help USDA, soil and water conservation districts and other Federal, State, and local agencies make the necessary shift towards the highest priority problems and identify the present and likely future demands on the soil, water, and related resources of the Nation.

7. Rural clean water - Rural clean water activities consist of program formulation and implementation, technical training and workshops funded from unobligated balances from the FY 1978 supplemental appropriation.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase in appropriation of $3,307,000 for technical assistance (on the basis of available funds there is an increase of $3,194,122) consisting of:

(a) An increase of $3,307,000 for increased operating costs.

Need for Change. These funds are needed in order to maintain program operations at the current level. The additional funds would be used to cover cost increases for non-salary support costs financed under this program. Without these funds, program performance would be adversely impacted.

Nature of Change. The funds requested will provide for continuing technical assistance to implement the conservation reserve program on approximately 10 million acres of highly erodible land in 1987. Specifically, these funds would provide for about 670 thousand acres of land improved through application of conservation practices or about 2.4 million tons of soil erosion prevented.

(2) A net decrease in appropriation (and in available funds) of $2,618,000 for inventory and monitoring consisting of:

(a) A decrease of $12,307,000 for inventory and monitoring program activities.

Need for Change. Significant reductions are proposed in USDA conservation programs primarily for fiscal policy reasons in order to reduce Federal deficits. Work carried out under this program can be deferred until the Federal fiscal situation improves.

Nature of Change. Work on National Resources Inventories (NRI) and all other inventory and monitoring activities carried out by the SCS would be discontinued by the end of fiscal year 1987. Future NRI's could be funded and conducted on a nonrecurring basis as needed to support Federal, State and local conservation planning and program evaluation.

(c) An increase of $9,689,000 for lump sum payments, severance pay and other nonrecurring program termination costs.

(3) A net decrease in appropriation (and in available funds) of $2,572,000 for soil surveys consisting of:

(a) An increase of $928,000 for increased operating costs.

Need for Change. These funds are needed in order to maintain program operations at the current level. The additional funds would be used to cover cost increases for non-salary support costs financed under this program. Without these funds, program performance would be adversely impacted.

Nature of Change. For this program, these funds would provide for soils mapping on about 700 thousand acres to maintain progress towards completing the nationwide soil survey.

(b) A decrease of $3,500,000 for soil survey program activities.

Need for Change. This decrease represents funds that were reprogrammed in fiscal year 1986, including $2.2 million from inventory and monitoring and $1.3 million from resource appraisal and program development, for accelerating the completion of soil surveys in high priority areas as required by Section 1213 of the Food Security Act of 1985. These funds were available only during FY 1986 and were used to upgrade data processing capabilities for manuscript processing; to procure specialized vehicles equipped with soil probes and special terrain vehicles needed for on-site soils mapping; to procure photo-imagery for soil survey maps; and to fund the equivalent of about 50 staff years of soil scientist time for additional project mapping.

Nature of Change. These funds were provided on a nonrecurring basis for FY 1986 only.

(4) A net increase in appropriations (and in available funds) of $1,094,000 for snow survey and water forecasting consisting of:

(a) An increase of $94,000 for increased operating costs.

Need for Change. These funds are needed in order to maintain program operations at the current level. The additional funds would be used to cover cost increases for non-salary support costs financed under this program. Without these funds, program performance would be adversely impacted.

Nature of Change. For this program, these funds are needed to continue data base development and analysis work to ensure the reliability and timeliness of water supply forecasts based on SNOTEL data and for effective integration of this data into SCS technical assistance activities.

(b) An increase of $1,000,000 for snow survey program activities.

Need for change. The Soil Conservation Service began installation and operation of radio telemetry of snowpack, rainfall, and temperature data from remote high elevation snow courses in the western U.S. mountains in the late 1960's. In the early 1970's, a consolidated west-wide plan for full automation was developed and the first Snow Telemetry (SNOTEL) electronics equipment was installed in 1977. The SNOTEL communication system was the first large-scale application of "meteor burst" technology. It eliminated the need to build and maintain a series of ground relay stations that were required under past automated data collection systems to transmit information. It also reduced the need to conduct hazardous, time-consuming manual surveys on critical measurement sites where installation of relay stations was not practical. Installation of 495 SNOTEL data sites in the contiguous western States and 15 sites in Alaska and related master stations was completed in 1980 at a total cost of $8.5 million.

As master station and remote site equipment nears its expected useful life of ten years, failure rates are increasing. System performance of 90% or better is necessary to support analysis of snowpack and temperature factors contributing to snowmelt runoff extremes. Also, due to the high cost, difficulty and hazards associated with travel to a remote site, a high degree of operational dependability is necessary. A remedial maintenance trip for one site can cost $1,000 or more for transportation alone. Frequent failure of sites can escalate costs to a point that available maintenance funds are quickly exhausted and data which are needed for water supply forecasting and irrigation water management are not available, or are of such poor quality as to render them useless. In addition, replacement parts are increasingly difficult to find or are no longer available for maintenance of the aging, outmoded equipment currently in place. Ongoing program funding levels have allowed for basic maintenance to keep the system running, but are not sufficient to support a systematic program for equipment replacement. Failure to upgrade SNOTEL equipment will lead to continuing losses in system performance which will result in rapidly escalating maintenance costs and increased reliance on manual methods which are not timely enough to provide useful data. Eventually, the system could no longer be operated and the significant federal investment in this system would be lost.

Nature of Change. The funds requested would be used to upgrade and replace existing outmoded SNOTEL equipment. New electronic equipment already in place at 20% or 102 of the remote locations has proven to be reliable. This equipment is capable of transmitting diagnostic parameters such as the number of radio transmissions and receptions which provide service crews with advanced warning of future problems. Crews can be dispatched more effectively, and a single service trip can accomplish repairs not only at sites which have failed, but also at nearby sites where diagnostic parameters indicate that failure is imminent. This new equipment also has the capability to sense, integrate, and store data for later transmission. Data such as the 24 hour maximum, minimum, and average temperature can then be retrieved. These data are essential input parameters to physical process streamflow models which are, in turn, necessary to optimize water supply management techniques. Specifically, the funds would be used for:

1. Remote site equipment and spare equipment parts (antennas, batteries, solar panels, transducers, gauges and sensors), $800,000.

2. Master station replacement and maintenance (receivers, transmitters, computers) for 2 stations, $40,000.

3. Installation costs, $160,000.

The funds requested would provide for a continuing 5-year equipment replacement schedule with up to 20% of the system being replaced annually at a cost of $1,000,000.

(5) An increase in appropriation (and in available funds) of $86,000 for operation of plant materials centers consisting of:

(a) An increase of $86,000 for increased operating costs.

Need for Change. These funds are needed in order to maintain program operations at the current level. The additional funds would be used to cover cost increases for non-salary support costs financed under this program. Without these funds, program performance would be adversely impacted.

Nature of Change. For this program, these funds would be used to continue the current rate of plant studies and releases of plant varieties to support conservation programs, and to provide for adequate maintenance of facilities and equipment essential to the efficiency of PMC operations.

(6) A net decrease in appropriation (and in available funds) of $1,261,000 for resource appraisal and program development consisting of:

(a) A decrease of $2,986,000 in resource appraisal and program development program activities.

Need for Change. Significant reductions are proposed in USDA conservation programs primarily for fiscal policy reasons in order to reduce Federal deficits. Work carried out under this program can be deferred until the Federal fiscal situation improves.

Nature of Change. All work carried out by the SCS to fulfill the requirements of the Soil and Water Resources Conservation Act of 1977 (P.L. 95-192) as amended by Section 1252 of the Food Security Act of 1985 would be terminated by the end of fiscal year 1987. Future appraisals of the soil, water, and related resources of the Nation and development of conservation programs to meet the Nation's long-term needs, which are now required once every 10 years rather than every 5 years, could be funded and conducted on a nonrecurring basis as needed.

(b) An increase of $1,725,000 for lump sum payments, severance pay, and other nonrecurring program termination costs.

SOIL CONSERVATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1985 AND ESTIMATED 1986 AND 1987
CONSERVATION OPERATIONS

	1985 AMOUNT	1985 STAFF YEARS	1986 AMOUNT	1986 STAFF YEARS	1987 AMOUNT	1987 STAFF YEARS
ALABAMA	$7,174,932	197	$7,170,000	198	$7,125,000	191
ALASKA	1,842,038	30	1,684,000	27	1,673,000	26
ARIZONA	4,169,733	97	4,187,000	98	4,161,000	95
ARKANSAS	8,053,836	236	7,932,000	233	7,882,000	225
CALIFORNIA	11,385,296	312	11,426,000	315	11,354,000	305
COLORADO	9,011,040	225	9,050,000	227	8,993,000	219
CONNECTICUT	1,357,721	35	1,227,000	32	1,219,000	31
DELAWARE	803,009	22	707,000	19	703,000	18
FLORIDA	5,956,307	163	5,944,000	164	5,907,000	159
GEORGIA	8,443,422	259	8,451,000	260	8,398,000	251
HAWAII	2,124,500	47	2,110,000	47	2,097,000	45
IDAHO	6,657,464	172	6,606,000	172	6,564,000	166
ILLINOIS	9,568,394	283	9,612,000	286	9,551,000	276
INDIANA	8,400,428	239	8,220,000	235	8,168,000	227
IOWA	10,533,911	314	10,620,000	319	10,553,000	308
KANSAS	10,027,501	303	9,939,000	302	9,876,000	292
KENTUCKY	8,281,887	251	8,147,000	248	8,096,000	240
LOUISIANA	5,699,718	157	5,556,000	154	5,521,000	149
MAINE	2,269,763	58	2,130,000	54	2,117,000	52
MARYLAND	2,737,768	71	3,242,000	84	3,222,000	81
MASSACHUSETTS	1,796,522	44	1,662,000	41	1,652,000	40
MICHIGAN	6,967,643	194	6,863,000	192	6,820,000	186
MINNESOTA	8,216,415	212	8,277,000	215	8,225,000	206
MISSISSIPPI	7,509,556	218	7,613,000	222	7,565,000	215
MISSOURI	10,459,349	313	10,524,000	317	10,458,000	306
MONTANA	7,168,636	205	7,295,000	210	7,249,000	203
NEBRASKA	9,888,803	310	9,873,000	312	9,811,000	302
NEVADA	2,792,804	67	2,684,000	64	2,667,000	62
NEW HAMPSHIRE	1,558,176	40	1,425,000	37	1,416,000	36
NEW JERSEY	2,007,491	50	1,926,000	48	1,914,000	46
NEW MEXICO	6,221,096	165	6,101,000	163	6,063,000	158
NEW YORK	6,565,323	191	6,593,000	193	6,551,000	187
NORTH CAROLINA	7,627,152	222	7,722,000	226	7,673,000	218
NORTH DAKOTA	6,066,913	178	6,112,000	180	6,073,000	174
OHIO	8,009,534	226	7,792,000	221	7,743,000	214
OKLAHOMA	8,777,015	272	8,784,000	273	8,729,000	264
OREGON	6,114,531	154	6,117,000	155	6,078,000	150
PENNSYLVANIA	5,973,247	174	6,184,000	181	6,145,000	175
PUERTO RICO	2,237,382	57	2,132,000	54	2,119,000	52
RHODE ISLAND	534,111	10	465,000	9	462,000	9
SOUTH CAROLINA	4,606,826	127	4,525,000	126	4,496,000	122
SOUTH DAKOTA	6,014,608	168	6,032,000	169	5,994,000	163
TENNESSEE	7,531,536	210	7,413,000	208	7,366,000	201
TEXAS	24,809,987	719	24,804,000	725	24,648,000	700
UTAH	5,036,774	132	4,976,000	131	4,945,000	127
VERMONT	2,072,037	46	1,660,000	37	1,650,000	36
VIRGINIA	5,966,762	171	5,922,000	171	5,885,000	165
WASHINGTON	7,167,147	190	7,181,000	191	7,136,000	185
WEST VIRGINIA	4,155,423	120	4,110,000	120	4,084,000	116
WISCONSIN	6,155,300	179	5,039,000	177	6,001,000	171
WYOMING	4,425,340	110	4,438,000	111	4,410,000	107
CHESTER NTC	1,746,270	35	1,755,000	35	1,744,000	34
FORT WORTH NTC	11,198,627	217	10,827,000	211	10,759,000	204
LINCOLN NTC	3,904,549	91	4,022,000	95	3,997,000	92
PORTLAND NTC	3,777,131	63	3,743,000	62	3,719,000	60
NATIONAL HDQTRS	25,274,204	314	26,743,074	334	26,569,000	323
TOTAL, CONSERVATION OPERATIONS	$364,832,888	9,665	$364,294,074	9,690	$361,996,000	9,367

CONSERVATION OPERATIONS

STATUS OF PROGRAM

Authority and Mission: The Soil Conservation Service (SCS) is a technical agency of the United States Department of Agriculture (USDA). The agency was established by Public Law 74-46 on April 27, 1935, (16 U.S.C. 590a-590f) to carry out a continuing program of soil and water conservation on the private lands of the Nation. The current mission of the agency is to provide national leadership in the conservation and wise use of soil, water, and related resources through a balanced cooperative program that protects, restores, and improves those resources.

The conservation activities of the Soil Conservation Service are guided by the priorities and objectives as set forth in the National Conservation Program (NCP) which was prepared in response to the provisions of the Soil and Water Resources Conservation Act of 1977 (RCA) (Public Law 95-192) and transmitted to the Congress in December 1982. The long-term objectives of the program are designed to maintain and improve the soil, water, and related resources of the Nation's nonpublic lands by:

- Reducing excessive soil erosion.
- Improving irrigation efficiencies.
- Improving water management.
- Reducing upstream flood damages.
- Improving range condition.
- Improving water quality.

The program establishes national priorities to guide USDA conservation activities over the next five years. The first priority is to reduce excessive soil erosion on agricultural lands. The second priority is two-fold: to conserve water used in agriculture, and to reduce flood damages in upstream areas.

A key feature of the National Conservation Program is the redirection of USDA programs to provide increased attention to areas with critical resource problems through targeting. These areas receive extra assistance to reduce excessive soil erosion, water shortages, flooding or other problems which threaten long-term agricultural productivity. Since 1979, SCS has increased the amount of conservation technical assistance resources devoted to the top two national priorities by an estimated 22 percent (from 53 percent in FY 1979 to 75 percent in FY 1985).

Cooperation with Conservation Districts: USDA and SCS have entered into memoranda of understanding with 2,934 conservation or special districts to establish a basis for a cooperative local-Federal conservation partnership. Under the terms of these agreements, SCS provides technical assistance through each district to assist farmers, ranchers, rural communities, and others plan, apply, and maintain conservation treatment on the land. These districts are legal subdivisions of State government organized for the purpose of developing and carrying out local conservation programs to protect, conserve, and maintain the natural resource base of the Nation. Officials of conservation districts are local leaders in the development of appropriate land use and conservation treatment on private and other lands within district boundaries. They solicit local, State, and Federal participation to help carry out locally adapted conservation programs. Over the years, they have developed cooperative ways of financing conservation programs that provide numerous public and private benefits. Nonfederal contributions of funds and services to conservation districts programs totaled approximately $360 million in FY 1985.

Status of Conservation or Special Districts as of September 30, 1985:

Total Conservation Districts	2,934
Approximate Land Area Within Districts	2.2 billion acres
Number of Farms Within Districts	2.1 million

Cooperation with Other Agencies: Many Federal and State agencies rely upon the technical expertise unique to SCS to plan and implement programs which impact rural residents and/or resources. Some examples are the Agricultural Conservation Program and the experimental Rural Clean Water Program of the Agricultural Stabilization and Conservation Service; the Surface Mine Control and Reclamation Programs of the Department of the Interior; the Coastal Zone Management Program of the Department of Commerce; and the Chesapeake Bay Clean-Up Program of the Environmental Protection Agency. SCS also cooperates with the Agency for International Development and other international organizations by providing technical assistance to foreign countries and training of foreign agriculturalists in the application and use of soil and water conservation treatment systems. Technical assistance was provided by 158 SCS technicians on short term assignments to 41 foreign countries and conservation training was given to about 125 international participants from 40 countries onsite in the United States during FY 1985.

Information Services: Current information work of SCS is directed toward depicting problems and needs and encouraging all land users to apply appropriate conservation treatment systems to protect and preserve our soil and water resource base. Information is issued through press releases, photographs, slide presentations, publications, speeches, magazine articles, and radio and television public service announcements.

This appropriation is further divided into subappropriation items as follows:

CONSERVATION TECHNICAL ASSISTANCE

Current Activities: The conservation technical assistance program provides the basic foundation supporting cooperative and complementary conservation programs involving Federal, State, and local units of government, organizations, and private citizens. It serves as the initial USDA contact with landusers who participate in other USDA, State, and local conservation programs. Assistance is provided by trained resource conservation and management specialists. These specialists inventory and interpret site-specific information about soil, plant, water, and other physical conditions to determine feasible alternative land uses and conservation treatment alternatives. This information is used in assisting land users to make decisions about land use and the conservation treatment systems that are needed to protect the resources from excessive deterioration. After land users make appropriate conservation use and treatment decisions, they receive technical help as needed, to apply the planned conservation treatment. This assistance may include design, layout, and on-site installation services to assure that the applied conservation treatment is of a high quality and serves the intended purpose. These services require professional skills from a variety of specialized resource management disciplines to achieve an interdisciplinary approach under a wide range of land ownership and use conditions. At the national level, SCS specialists develop and maintain standards for conservation treatment, provide technology transfer, and serve as the Federal government's expert in matters concerning the conservation use and treatment of the Nation's private lands.

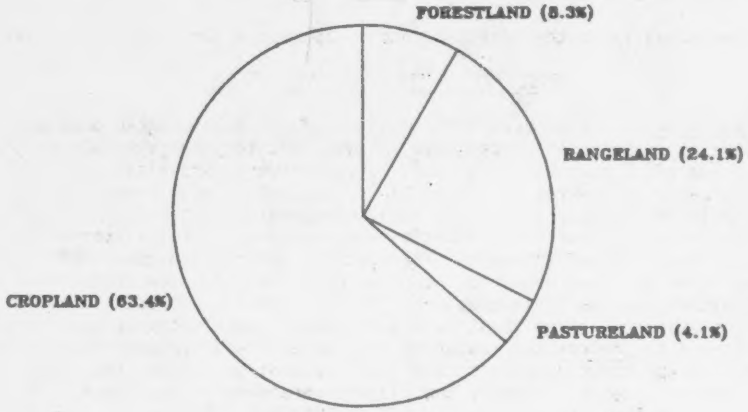
In FY 1985 SCS provided direct technical services to 942,681 land users and units of government for conservation purposes. As a result of these services, land users made conservation planning decisions on about 34 million acres of land and 411,830 land users applied one or more conservation practices to improve soil, water, and related resources on 64.4 million acres of non-Federal lands. The estimated value of the practices applied to improve this acreage was $1.5 billion. Some of the long-term public and private benefits resulting from conservation planning and application assistance include reduced erosion and sedimentation, cleaner water, reduction of health hazards, improved fish and wildlife habitat, improved aesthetic qualities, flood prevention, and sustained food and fiber production at reasonable cost.

Examples of Conservation Problems and Progress: Some of the specific conservation problems identified in the 1982 National Resources Inventory that are being addressed with current planning and application assistance include:

1. Excessive Sheet Rill and Wind Erosion on Agricultural Lands: Slightly more than 21 percent or 288 million acres of agricultural lands are subject to excessive erosion from water and/or wind. These represent those acres that were eroding in 1982 at rates that exceed the amount replaced by the natural soil forming processes. Annual sheet, rill, and wind erosion losses on agricultural lands alone amount to 4.8 billion tons. The following graph shows the distribution of the acreage subject to excessive erosion by land use:

AG LANDS SUBJECT TO EXCESSIVE EROSION

288 MILLION ACRES



For FY 1985, SCS technical assistance for erosion control purposes reduced sheet, rill, and wind erosion on 45.3 million acres of agricultural land by an average rate of 5.1 tons per acre (230.5 million tons total). The soil savings on land eroding at more than twice the tolerance rate was 146.4 million tons, an average of 9.7 tons per acre on 15.1 million acres.

2. Water Shortage and Quality: Water shortages from time to time impact virtually all of this country but are more critical and common in the arid areas of the West. Agriculture by far is the biggest user of water in the

United States consuming four times the amount of water used for all other purposes combined. Almost 28 percent of all irrigated acreage (19 million acres) needs additional water management treatment in order to improve efficiency of water use and/or reduce water use. Current assistance for this resource concern is concentrated in areas of declining ground water table, areas experiencing salt intrusion from excessive irrigation, and water short areas that are dependent upon surface water storage facilities for irrigation water.

Many agricultural operations, if improperly conducted, can pollute both surface and ground water supplies. About 68 percent of the Nations' drainage basins reported nonpoint source pollution from agricultural activities. Pollutants include toxic materials (primarily pesticides), animal wastes, nutrients, salinity, and sediment. Currently, special emphasis is placed on reducing salinity problems which impact almost 42 million acres of agricultural land and sediment reduction through erosion control. About 760 million tons of sediment are delivered annually to the Nation's surface waters with cropland erosion contributing about half of the total.

In FY 1985, SCS technical assistance for water conservation programs reduced the rate of water use by 962,534 acre feet on 1.9 million acres.

3. Grassland Condition: Approximately 40 percent (539.2 million acres) of the Nation's agricultural land is classified as pasture or range land. These lands make a major contribution to the production of the Nation's red meat supply as well as providing food and cover for several major wildlife species. The condition of the vegetation on these lands is a good indicator of the quality of the soil and plant resource base. Much of this grassland acreage is considered to be fragile because when the condition of the vegetation deteriorates it becomes very difficult to restore the resource base to prior levels of productivity. Approximately 59 percent of the pastureland and 61 percent of the rangeland in the United States was classified in a fair or poor condition in 1982. This indicates that these acreages need improvement in order to prevent further deterioration and permanent loss of productivity.

   In 1985, SCS technical assistance helped to improve the vegetative condition on 14.8 million acres of grassland.

Summary of Progress: A breakdown of the total acres of land improved or treated with SCS technical assistance in FY 1985 follows:

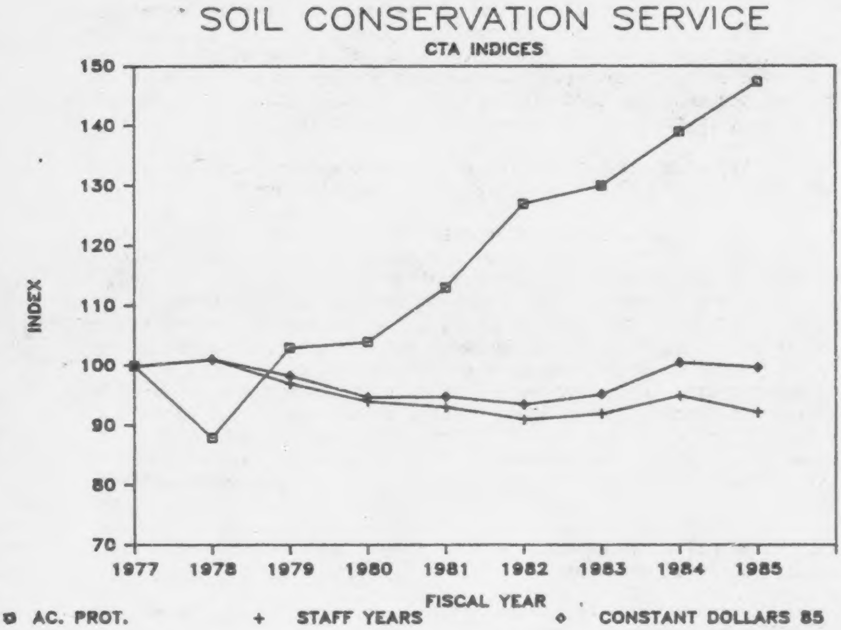
	Acres Improved (millions)			
	Erosion Control	Water Conservation	Other Purposes	Total
Land improved with SCS assistance:				
Cropland........................	16.2	1.7	--	17.9
Rangeland.......................	23.8	--	12.8a/	36.6
Pastureland.....................	3.5	.2	2.0	5.7
Woodland........................	.8	--	1.3	2.1
Other Land......................	1.0	--	1.1	2.1
Total...........................	45.3	1.9	17.2	64.4b/

a/ Includes vegetative improvement on: pasture, range and hayland.

b/ Approximately 95% of this is related to the Conservation Technical Assistance program and 5% to other SCS programs.

*About 38 percent or 24.5 million acres of the total acreage improved with SCS technical assistance was fully protected from resource deterioration (adequately protected according to SCS standards). The remaining acreage was benefited (deteroration was slowed but not necessarily stopped).

Productivity Trend: Soil Conservation Service monitors the number of acres improved with SCS assistance per staff year in order to evaluate program effectiveness as measured by the productivity of SCS field staff. The following graph shows the trend in productivity since FY 1979.



Increases in productivity are primarily due to the redirection resulting from implementation of the National Conservation Program including targeting and some limited ADP applications.

Targeting Conservation Technical Assistance: The Soil Conservation Service (SCS) continues to emphasize the national significance of critical cropland erosion and water use problems by targeting a portion of the Conservation Technical Assistance (CTA) funds to specific geographic areas. In FY 1985, $27.5 million or 10 percent of the CTA funds were used to continue the acceleration of technical assistance levels in 835 targeted counties in 44 States and Puerto Rico. For FY 1986, SCS will maintain the current level of funding for these targeted areas. No new areas will be designated. Approximately 83 percent of the targeted funds are used for cropland erosion control and 17 percent for water conservation efforts.

CTA Targeting Accomplishments: By FY 1985, targeted cropland erosion control acres comprised about 109.3 million acres or 25.9 percent of all cropland. The national targeted areas encompass 36.6 million acres of cropland eroding at rates of 2T and greater or about 42 percent of all the cropland eroding at a rate of 2T and greater. Targeting accomplishments in FY 1985 include:

5.8 million acres cropland treated by the application of conservation practices, of which 53% or 3.1 million acres was fully protected by the Conservation treatment

43.2 million tons of soil loss reduced, an average of 7.4 tons per acre treated.

The targeted Water Conservation and/or Salinity Control areas encompass 32 percent of the Nations' irrigated land acreage. Approximately 28 percent of this acreage needs water management to reduce per acre water application. Targeting accomplishments in FY 1985 include:

847,600 acres of irrigated land treated; and

468,400 acre feet of water saved, an average of .55 acre feet per treated acre.

Conservation Tillage: Conservation tillage was used by farmers on approximately 103 million acres or about one-third of all cropland during FY 1985. This practice reduced soil erosion from 25 to 90 percent, depending on soil and cropping conditions. Conservation tillage is a cost effective practice for reducing erosion.

Agricultural Conservation Program (ACP): SCS provides technical assistance to ACP participants for planning, design, layout, supervision, and certification that the practice meets SCS standards and specifications. In addition to the regular ACP assistance, special projects were used in all states and variable cost share was carried out in 263 counties.

SCS provided quantified practice effects for ACP practice applications through the Conservation Reporting and Evaluation System (CRES) to ASC County Committees in all counties.

Rural Abandoned Mine Program (RAMP): SCS provides technical and financial assistance through 5-10 year contracts with land users. The objective of the RAMP is to evaluate, design, and install needed conservation treatments to reclaim soil and water resources on rural lands adversely affected by past coal-mining practices. RAMP was authorized by Section 406 of the Surface Mining Control and Reclamation Act of 1977, P.L. 95-87. Land users in 20 states have submitted 3,195 program applications (on 90,484 acres) for assistance under the program. New RAMP contracts were signed with 76 land users in FY 1985 obligating $6.2 million. To date, SCS has signed a total of 498 contracts for the reclamation of 9,234 acres, obligating $50 million. Accomplishments to date include 5,581 acres reclaimed, 820 health and safety hazards eliminated, and 533,000 tons of soil erosion prevented annually. Water quality has been improved in 50,587 acres of lakes and 243 miles of streams. Funds for the operation of RAMP are transferred to SCS by the U.S. Department of the Interior, from funds appropriated from the Abandoned Mine Reclamation Trust Fund. Coal miners pay 35 cents per ton of coal mined from surface mines and 15 cents per ton of coal from underground mining into this fund.

Colorado River Basin Salinity Control Implementation: SCS is providing accelerated technical assistance in the Grand Valley area of Colorado and the Uinta Basin of Utah to enhance and protect the quality of water available in the Colorado River for use in the United States and Mexico (Public Law 93-52, Colorado River Basin Salinity Control Act). Major activities include: preparation of conservation plans for operations; design and supervision, installation of irrigation improvements to reduce deep percolation and salt load to the Colorado River from private lands; and providing continuing technical assistance to be sure irrigators practice adequate irrigation water management.

Salt load reductions in the Grand Valley and Uinta Basin are 31,500 and 23,140 tons per year respectively. The Colorado area encompasses 60,000 acres and the Utah portion 200,000 acres. Collectively, these units have achieved an estimated salt load reduction of 49,700 tons for 1984 with similar results anticipated for 1985. Four additional units ready for early implementation include Moapa Valley and Virgin Valley in Nevada and Lower Gunnison and McElmo Creek in Colorado. Limited planning activities include the completion of the Mancos Valley (Colorado) salinity control report and continued coordination with the Bureau of Reclamation on a joint plan for the Price-San Rafael Rivers in Utah. With the passage of P.L. 98-569, amendments to the Colorado River Basin Salinity Control Act, by the 98th Congress in 1984, USDA now has a separate authority for developing and implementing a voluntary and cooperative onfarm salinity control program.

Chesapeake Bay Restoration and Protection: SCS is providing accelerated technical assistance in the Chesapeake Bay drainage area with special emphasis in Maryland, Pennsylvania, and Virginia for restoration and protection of the Bay's water quality and living resources. This work is being carried out as set forth in the Memorandum of Understanding signed November 21, 1984 between the Environmental Protection Agency and SCS and is in cooperation with the Army Corps of Engineers, the Fish and Wildlife Service, Geological Survey, National Oceanic and Atmospheric Administration, Department of Defense, and States of Maryland, Pennsylvania, Virginia, and the District of Columbia. The Chesapeake Bay area encompasses a 64,000 square mile drainage basin. The Bay is the Nation's largest estuary which produces the largest blue crab harvest in the world and the largest oyster harvest in the United States. It is one of the world's largest recreational areas with 7,300 miles of shoreline and is a major shipping center.

Surface water runoff from the land causes major nonpoint source water quality problems. Sediment resulting from erosion of land surfaces, particularly agricultural lands, is, by volume, a primary pollutant of the Chesapeake Bay, over 50 percent in certain areas. Sediment carries with it absorbed nutrients and pesticides which cause further pollution. Water quality improvement in the Bay is dependent upon close cooperation of all the Federal, State, and local units of governments, including local soil conservation districts, and all private citizens using the land and water resources in the basin area. In FY 1985, SCS designated 10 additional positions to provide accelerated technical assistance in Maryland, Pennsylvania, and Virginia. Major activities include: providing technical assistance to plan, design and implement best management practices to control nonpoint source pollution from agricultural and urban lands and control excess animal wastes; providing technical standards and specifications for State cost-share programs, providing training for conservation district technicians; and providing outreach to encourage landowners/operators in critical areas to participate in volunteer nonpoint source implementation.

INVENTORY AND MONITORING

Work under this appropriation item consists of collecting and interpreting natural and related resource data, other than soil survey, and providing the results to users for resource conservation programming, planning, and appraising. The major effort is directed toward gathering, analyzing and releasing statistically reliable data on the status and condition of the resources on non-federal lands, but also includes making special resource interpretation maps, reporting on wind erosion conditions in the Great Plains States, and conducting special inventories to detect any changes in resources such as the shelterbelts and wetlands. These activities provide technical resource data and interpret them for application in local land use and conservation decisions. The inventory and monitoring program is mandated by the Soil and Water Resources Conservation Act (RCA) of 1977 (P.L. 95-192) and by the Rural Development Act of 1972 (P.L. 92-419).

Current Activities: Current natural and related resource information from this program enables individuals, groups, and units of government to make sound and cost-effective resource, and management and environmental decisions. The data and interpretations are used for identifying and examining resource problems, assessing resource concerns of the public, and targeting conservation efforts of USDA. The results of the 1977 National Resources Inventory (NRI) were used in the appraisal part of the Resources Conservation Act of 1977 and for resource programming and planning at the State and national levels. The 1982 NRI provided the basic information for the conservation title of the 1985 Farm Bill; and is being utilized for future planning and program development and detection of trends in erosion and land use.

Specific problems to which efforts are now being directed are:

1. Release of 1982 NRI. Analysis and final publication of the 1982 NRI is scheduled for 1986. The effort will include a published set of national statistics. Briefings will be held throughout the country as a means to educate the users.

Further data analyses will be completed by the states to determine their specific resource problems. Data analysis assistance will be provided to the states to familiarize them with specific tools that can be used in resource analysis.

Plans are being made to integrate new technology for use in conducting the 1987 NRI for increased cost effectiveness and reduction in personnel requirements. New inventory procedures are being tested such as remote sensing for data gathering. Preparations are being made to use geographic information systems to provide data analysis and display to decisionmakers for conservation programming and planning. Efforts are underway to integrate data from other agencies with SCS data.

2. Monitoring status of agricultural lands. The future world demand for U.S. food, concern about balance of trade, expanding energy costs, and uncertainties about future advances in farming technology have increased the need for monitoring the status of agricultural lands. Inventories provide benchmark resource data on prime farmland and the potential for converting land to cropland and the need to adjust production by placing highly erodible lands into conservation reserve. Continued monitoring will detect changes in the status and condition of these important lands.

3. Targeting conservation to resource problems and concerns. USDA and other agencies direct their actions to the most pressing resource problems and to those that will provide the greatest benefit to society with the least cost. Resource inventories provide data to decisionmakers for conservation programming and planning including identification and description of areas needing special attention. Monitoring provides the followup required to measure progress and reevaluate conservation priorities.

4. Addressing environmental concerns. Growing adequate supplies of food and fiber without the risk of degrading the Nation's soil and water resources requires detailed information. Tons of soil lost by erosion can be related to the loss of productivity of land and to poor water quality. As prime farmland is converted to urban and other uses, lands less suited for crop production may be substituted. This increases energy cost and conservation investments, and requires high-level management to prevent soil degradation. Loss of prime farmland encourages landowners to convert wetlands, natural flood plains, and marginal lands to cropland.

Resource inventories provide data on prime farmland, its use and change in status as well as data on potential for converting other lands to cropland and conservation treatment of land. The inventories provide data for carrying out surface mining regulations related to prime farmland used for crops and for preparing environmental impact statements.

Selected Examples of Recent Progress: Recent achievements under this appropriation item are:

1. The 1982 National Resources Inventory (1982 NRI). Collection of field data for the 1982 NRI, a three year effort, was completed at the end of calendar year 1982. This effort was designed to collect data for major land resource areas (MLRA's) to meet the need for new data for policy analysis, program management and in support of the 1985 appraisal called for in the Soil and Water Resources Conservation Act. In addition to the eleven major resource elements in the 1977 NRI, several more resource data elements including wildlife habitat diversity, critical erosion areas, existing conservation practices, and other vegetative data, were inventoried. All data elements were inventoried on approximately one million points in more than 300,000 primary sample units.

The 1982 NRI findings show that sheet, rill and wind erosion on the nonfederal rural land amounts to 5.4 billion tons, of which 4.8 billion tons is from agricultural lands, and of which 3.4 billion tons is sheet and rill erosion and 2 billion tons is wind erosion. Also, about 58 percent of the nation's cropland and forest land needs conservation treatment, nearly two-thirds of the rangeland and slightly more than half of the pasture land needs treatment. Findings also show that about 421 million acres of the nation's 1.4 billion acres of nonfederal rural land are used for cropland. Another 539 million acres are used for pasture land and range land. Forest land accounts for 394 million acres and the remaining 60 million acres are in minor land cover uses.

2. Additional important farmland maps are completed. To date, about 910 county maps of important farmland are published and another 400 are in progress. In addition, eighteen State generalized prime farmland maps are completed. Nearly 1,300 counties in the U.S. have prime farmlands undergoing significant land use changes through urbanization or surface mining. Monitoring is being planned to locate and measure the extent of losses of the important farmlands. Important farmland maps are published and furnished to local and State units of government, agencies, and others. Availability of soils data and identified National, State, or local need for the data determines priority for publication of these important farmland maps.

3. Wind erosion conditions for the 10 Great Plains States are reported. Each year during the November 1 to June 1 blowing season, 541 counties in the Great Plains States prepare estimates of cropland, rangeland, and other land damaged by wind erosion; crops and cover destroyed on land not damaged; land prevented from damage by emergency tillage; and land in condition to blow. Also data are provided on the major factors contributing to wind erosion for the blowing season. The report is used for informational purposes, to alert conservationists and others on the extent and severity of wind erosion in the high hazard areas and as a basis for planning and installing appropriate conservation measures.

4. Special resource problems are inventoried. Periodic reports are prepared on short-duration natural phenomena that affect health, safety, and agricultural production. Examples are drought, hail, floods, hurricanes, tornadoes, volcanic eruptions, prolonged temperature extremes, fire, plant diseases, and insect infestations. These reports are used to inform the Department, news media, and others of the extent of these phenomena and the impact on SCS activities.

SOIL SURVEYS

Current Activities: The SCS has leadership for the National Cooperative Soil Survey. Participants include State agricultural experiment stations and other State, Federal, and local agencies. Soils are studied in the field and in the laboratory. They are described and the boundaries plotted on aerial photographs.

Soil interpretations explain alternative uses and behavior of the soils. The results of research on soils and of experience in using them contribute to these explanations.

An objective of the National Cooperative Soil Survey is to provide published soil surveys of counties or areas of comparable size. Publications are used by many agencies, organizations, and individuals.

The nationwide system of Soil Taxonomy was developed by the SCS in cooperation with other interested agencies of State and local governments and many foreign contributors. Soil properties are rarely uniform over broad areas. Close adherence to a nationwide system of Soil Taxonomy allows knowledge and experience gained from one soil to be used in other areas where the same kind of soil occurs.

Soil surveys provide the basic data about different kinds of soil that are essential to resource planning. Soil surveys are needed to plan runoff and erosion control measures. A soil survey enables land users to predict how each kind of soil will respond to use, management, and treatment. Soil surveys help farmers locate soils best suited for specific crops, and most responsive to management. They are of importance to planners, engineers, zoning commissions, tax commissioners, homeowners, developers, and others. Many have suffered severe losses when facilities were located on soil not suited for such purposes and special treatment was not provided to compensate for unfavorable soil conditions. In many instances, the use of soil survey information in site selection could have decreased initial construction cost as well as lowered maintenance cost.

In FY 1985 soil scientists in twenty-two states continued with specific assignments to provide additional technical expertise in the use of soil survey maps and interpretive data in areas targeted for intensive land treatment to control erosion and conserve water.

Selected Examples of Recent Progress: As of September 30, 1985, soil maps that meet the current standards for all potential users had been prepared on an estimated 1.68 billion acres. During fiscal year 1985, SCS soil scientists mapped 40,184,658 acres, and another 5,371,429 acres were mapped by other Federal, State, and local agencies in cooperation with SCS for a total of 45,556,087 acres mapped in FY 1985. Soil survey mapping was completed on 97 soil survey areas in FY 1985 and soil mapping should be completed on another 93 areas in FY 1986.

In an effort to accelerate the Soil Survey Program, State, local, and Federal cooperators are providing about 18 percent of the funds for mapping and 20 percent of the personnel services. This helps maintain progress in the soil survey.

Soil Survey Publications: A total of 73 soil surveys were edited and sent to the Government Printing Office during fiscal year 1985. Soil surveys for 80 counties or soil survey areas were published in fiscal year 1985.

SNOW SURVEY AND WATER SUPPLY FORECASTING

Current Activities: Snowmelt provides about 80 percent of the stream flow in the west. Agriculture along with municipal, industry, recreation and fish and wildlife are the primary users. SCS operates a network of 1400 manual snow courses and over 500 automatic data collection sites (SNOTEL) in the western United States and Alaska in order to forecast stream flow for the coming spring runoff season. These measurements are made in cooperation with other Federal, State and local agencies, power companies, irrigation companies, and the Provincial Government of British Columbia.

Water supply forecasts help irrigators make the most effective use of available streamflow for agricultural production needs. Farmers who irrigate more than 10 million acres of land in the western United States benefit from water supply forecasts. Other Federal agencies and private organizations also use water supply forecast information to help them carry out their missions. These forecasts also help the Federal government in administering international water treaties.

State governments use the information in managing intrastate streams and interstate water compacts. Local governmental entities and industry use water supply forecasts to effectively manage available water supplies.

Data are gathered by SCS and cooperative agency personnel who travel to remote areas by snowshoes, skis, over-snow machines and aircraft about once a month. Data are also gathered daily at over 500 automatic data collection sites (SNOTEL sites). The instruments at these sites record the water equivalent of the snowpack, the temperature and total precipitation. As the data from Snotel sites are correlated with manual snow course data, the number of manual measurements will be reduced. In FY 1985, the National Weather Service provided $823 thousand for the installation of 37 new SNOTEL sites and the upgrading of 63 existing sites in the Upper Colorado River Basin to enhance and improve data collection efforts to increase the accuracy of water volume forecasts in that area. Annual operations and maintenance costs for these sites will continue to be funded by the National Weather Service.

During Fiscal Year 1985, over 4,000 water supply forecasts were issued for use by the various water users.

PLANT MATERIALS CENTERS

Current Activities: Plant Materials Centers (PMC's) are operated by SCS for assembling, testing, selecting, releasing, and providing for the commercial production of plants and the development of techniques for their effective use for reducing erosion and sedimentation where existing plants and methods are not suitable or available. Priority of work is determined by the objectives and priorities of the National Conservation Program and specific conservation problems within each PMC's service area. Special emphasis is currently being placed on selecting cover crops to assist in reducing erosion associated with low residue crops; protecting range resources with improved plant cover; and accelerating commercial production of previously released conservation plants in short supply. The work at the 24 centers includes cooperation with other Federal agencies, State experiment stations, State departments of natural resources, conservation, and wildlife, and seed and nursery associations to encourage production and promotion of improved plants.

Eighteen PMC's are operated by SCS and six by cooperating agencies or by others. They are:

Operated by SCS:

Tucson, Arizona
Lockeford, California
Brooksville, Florida
Americus, Georgia
Molokai, Hawaii
Aberdeen, Idaho
Manhattan, Kansas
Quicksand, Kentucky
Beltsville, Maryland
East Lansing, Michigan
Coffeeville, Mississippi
Elsberry, Missouri
Bridger, Montana
Cape May Courthouse, New Jersey
Big Flats, New York
Corvallis, Oregon
Knox City, Texas
Pullman, Washington

Operated by Cooperating Agencies with Technical Assistance and Funding by SCS:

Los Lunas, New Mexico (New Mexico State University)
Bismarck, North Dakota (North Dakota Association of SCD's)
Meeker, Colorado (White River and Douglas Creek Soil Conservation Districts with partial funding from SCS)

Other:

In addition to the 21 centers listed above, the State of Alaska operates a PMC at Palmer; the Caesar Kleberg Wildlife Research Institute; the Texas Agricultural and Industrial University, and the South Texas Association of Conservation Districts operate a PMC in Kingsville, Texas; and the Stephen F. Austin University and the East Texas Association of Conservation Districts operate a PMC at Nacogdoches, Texas. SCS provides technical assistance to these centers through cooperative agreements.

Comparative Plant Testing: During 1985, over 21,000 domestic and foreign plant collections were being comparatively evaluated at the PMC's. In addition to cropland cover crops and protection of range resources, these plants are also being evaluated for stabilizing critical areas such as sand dunes, streambanks, and shorelines, road cuts and fills, utility corridors and surface mined lands. Plants are also being evaluated for wind breaks to protect cropland, protecting pastureland, and providing wildlife food and cover. The final evaluation of new plants and cultural methods is made on farms and ranches in conservation districts under actual use conditions.

Plant Releases for Commercial Production: The SCS, over the years, has released over 223 different varieties of conservation plants to commercial producers. Some varieties have been replaced with superior plants. Currently, over 166 improved varieties are in commercial production and use in conservation programs.

Commercial production of SCS released conservation plants in 1985 is expected to be approximately 6.7 million pounds of seed, 11.7 million plant seedlings, and 220 thousand bushels of sprigs. This commercial production of seed and plants is equivalent to the amount of plant materials required to treat about 2 million acres of land.

Plants for Solving Conservation Problems: Some of the major soil conservation problems for which plants are currently being evaluated and for which previously released plants are being used where adapted include:

1. Plants for reducing critical erosion and sedimentation:

    - Conservation plants that reduce erosion and sediment from cropland, such as cold hardy annual plants for the winter protection of land used for the production of such late maturing crops as potatoes in Aroostook County, Maine, and low residue crops such as silage, corn, soybeans, and cotton. Various studies are underway to explore the use of perennial legumes such as Emerald crownvetch as permanent cover crops in corn.

    - Plants for reducing erosion and sediment and improving forage quality and quantity of grazing land with special emphasis on problem areas including low fertility, shallow, saline, or alkaline soils, ~~and~~ for use in arid and semiarid areas.

  - Plants for improved cover and protection of upstream water courses, channels, watershed works of improvement, and shorelines in sounds and tidal areas.
  - Plants for stabilizing critical, high-yielding sediment sources such as surface mined lands, highway slopes, and urban and industrial areas.

2. Accelerated collections and evaluations of plant materials that will provide adequate erosion control and an economic return in critical water short areas.

3. Improved woody plants for use in windbreaks and shelterbelts and herbaceous plants for use in barriers for reducing wind erosion on dryland and on irrigated cropland and for use around homes and farmsteads to reduce fuel consumption.

4. Plants for improving the quality and diversity of wildlife habitats.

Selected Examples of Recent Progress: An average of 14 new conservation plants have been cooperatively released to commercial seed growers and nurserymen during each of the last five years. Examples of these releases include:

- Multiple use plants such as 'Eldorado' engelmanndaisy, useful for range reseeding which also provides food for wildlife, 'Cave-In-Rock' or 'Alamo' switchgrass for waterline stabilization and use on grazing land while providing improved forage.

- Native grasses such as 'San Luis' slender wheatgrass, a longer lived cultivar useful in high altitude seedings in the Rocky Mountain states.

- Introduced grasses including 'Paiute' orchardgrass, a drought and cold hardy variety for use in the intermountain west, 'Sea Isle' Japanese sedge, used in stabilizing coastal dunes along the Atlantic seaboard, and 'Hycrest' crested wheatgrass, which has greater drought tolerance than varieties currently used in the northern Great Plains.

- Native shrubs such as 'Lassen' bitterbrush, an excellent browse plant adapted to the Sierra Nevadas and Cascades, 'Sakakawea' silver buffaloberry for use in farmstead and field windbreaks in the northern Great Plains, 'Duro' California buckwheat for use in critical area stabilization plantings in California, and 'Rincon' fourwing saltbush, a valuable browse plant species as well as one very useful in mine spoil reclamation and critical area stabilization in the intermountain areas of the west.

- Herbaceous plants including 'Cedar' Palmer penstemon, a variety useful for reclaiming mine spoils and other disturbed areas in arid regions, 'Immigrant' forage kochia, introduced from Russia and excellent for range improvement seedings, and 'Summit' Louisiana sage, a ground cover useful in initial stabilization of critical areas.

RESOURCE APPRAISAL AND PROGRAM DEVELOPMENT

The SCS has leadership for the development and preparation of the Appraisal, Program and Statement of Policy required by the Soil and Water Resources Conservation Act of 1977 (PL 95-192). Activities carried out under this Act, and authorities otherwise contained in the Act of 1935 (PL-46), help SCS and the USDA, the Congress, soil and water conservation districts, and other Federal, State, and local agencies identify the magnitude and complexity of soil and water resource problems; identify the present and likely future demands on the soil, water and related resources of the Nation; formulate and resolve natural resource policy issues; and make needed shifts towards the highest priority conservation tasks.

With data obtained from the continuing appraisal of the Nation's soil, water and related resources, the USDA national soil and water conservation program was developed and submitted to Congress in December 1982. This program is used as a guide in carrying out the activities of the SCS to assist landowners and land users, at their request, in furthering soil and water conservation on the private and non-Federal lands of the Nation. The program sets forth the direction for future soil and water conservation efforts of the Department of Agriculture based on the current soil, water, and related resource appraisal. The program reflects both the long and short-term needs of the Nation, the landowners, and the land users, and recognizes the role and responsibilities of Federal, State, and local governments in such conservation efforts.

The RCA program features have become a key guiding factor in coordinating the conservation programs in the various USDA agencies. They were used extensively by the agencies in preparing their FY 1987 budgets.

Current Activities: The resource analysis required to complete the 1985 RCA Appraisal is nearing completion. Preliminary drafts have been written addressing the resource topic areas of concern defined in the Plan of Work. Work to improve the analytical capability needed to evaluate resource data and program effectiveness is continuing. The National Resources Inventory (NRI) data have been prepared for input to the Erosion Production Impact Calculator (EPIC) and the linear programming model of the agricultural sector maintained by the Center for Agricultural and Rural Development (CARD) at Iowa State University. Test runs have been completed, and calibration and refinement of the models is underway. The 1985 RCA Appraisal will update the 1980 RCA Appraisal and provide new information and analysis in several resource concern areas, including the offsite effects of soil erosion and factors influencing conservation decisions.

The three land conversion pilot projects are in the fourth year of operation. These projects are testing the cost-effectiveness and acceptability of various approaches to solving significant soil and water conservation problems. An interim report, evaluating all three projects, has been prepared. Preliminary results from the evaluation have been used as resource material for the 1985 Farm Bill.

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

River Basin Surveys and Investigations

> For necessary expenses to [conduct research, investigations, and surveys of the watersheds of rivers and other waterways, in accordance with section 6 of the Watershed Protection and Flood Prevention Act approved August 4, 1954, as amended (16 U.S.C. 1006-1009), $14,906,000: Provided, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $60,000 shall be available for employment under 5 U.S.C. 3109.] closeout activities previously funded under this account, $9,472,000.

This change deletes language to carry out the River Basin Surveys and Investigations program beyond FY 1987. Program operations would be terminated as quickly as possible.

River Basin Surveys and Investigations

Appropriation Act, 1986		$14,906,000
Budget Estimate, 1987		9,472,000
Decrease in Appropriation		-5,434,000
Adjustments in 1986:		
Appropriations Act, 1986	$14,906,000	
Less Pro-Rata Reduction, P.L. 99-190	-89,000	
Net Appropriations	14,817,000	
Transfer to Departmental Administration and Office of Governmental and Public Affairs for Reimbursable Activities a/	-14,000	
Adjusted base for 1986		$14,803,000
Budget Estimate, 1987		9,472,000
Decrease from adjusted 1986		-5,331,000

a/ A transfer of $12,000 to Departmental Administration (DA) and $2,000 to the Office of Governmental and Public Affairs (OGPA) for activities previously financed on a reimbursable basis as a direct appropriation in FY 1987.

SUMMARY OF INCREASES AND DECREASES
(on basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
River Basin Surveys:			
1. USDA cooperative studies	$10,286,000	-$3,163,000	$7,123,000
2. Flood plain management assistance	2,451,000	-1,027,000	1,424,000
3. Interagency coordination and program formulation	2,066,000	-1,141,000	925,000
TOTAL AVAILABLE	$14,803,000	-$5,331,000	$9,472,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985 Amount	1985 Staff Years	1986 estimated Amount	1986 estimated Staff Years	Decrease	1987 estimated Amount	1987 estimated Staff Years
River Basin Surveys:							
1. USDA cooperative studies	$10,012,000	213	$10,286,000	218	-$3,163,000	$7,123,000	23
2. Flood plain mgmt. assistance	3,037,000	65	2,451,000	52	-1,027,000	1,424,000	5
3. Interagency coord. and program form.	1,857,000	39	2,066,000	45	-1,141,000	925,000	3
Adjusted appropriation	14,906,000	317	14,803,000	315	-$5,331,000	$9,472,000	31
DA and OGPA transfer	--	--	+14,000	--			
Appropriation total	$14,906,000	317	$14,817,000	315			

PROJECT STATEMENT
(On basis of available funds)

Project	1985 Amount	1985 Staff Years	1986 estimated Amount	1986 estimated Staff Years	Decrease	1987 estimated Amount	1987 estimated Staff Years
River Basin Surveys:							
1. USDA cooperative studies	$9,953,698	213	$10,306,161	218	-$3,183,161	$7,123,000	23
2. Flood plain mgmt. assistance	3,018,908	65	2,451,549	52	-1,027,549	1,424,000	5
3. Interagency coord. and program form.	1,846,943	39	2,066,029	45	-1,141,029	925,000	3
Total direct oblig.	14,819,549	317	14,823,739	315	-5,351,739	9,472,000	31
Unobligated balance lapsing	(+86,451)	(--)	(--)	(--)	(--)	(--)	(--)
Unobligated balance brought forward	(-20,739)	(--)	(-20,739)	(--)	(+20,739)	(--)	(--)
Unobligated balance carried forward	(+20,739)	(--)	(--)	(--)	(--)	(--)	(--)
Adjusted appropriation	(14,906,000)	(317)	(14,803,000)	(315)	(-5,331,000)	(9,472,000)	(31)
Reimbursable oblig.	1,024,795	20	1,000,000	20	-1,000,000	--	--
Obligational authority	$15,844,344	337	$15,823,739	335	-6,351,739	9,472,000	31

SOURCES OF REIMBURSEMENTS

Project	1985 Actual	1986 estimated	Decrease	1987 estimated
River Basin Surveys:				
USDA cooperative studies........	$310,952	$303,000	-$303,000	--
Flood Insurance Studies...........	594,903	581,000	-581,000	--
Other Federal Sources.............	40,000	39,000	-39,000	--
Other Non-Federal Sources.........	78,940	77,000	-77,000	--
Total reimbursements..............	$1,024,795	$1,000,000	-$1,000,000	--

OUTLAYS

Project	1985 Actual	1986 estimated	Decrease	1987 estimated
River Basin Surveys:				
1. USDA Cooperative Studies......	$10,317,165	$10,529,235	-$3,164,085	$7,365,150
2. Floodplain management assistance..................	3,129,113	2,500,245	-1,027,845	1,472,400
3. Interagency coordination and program formulation.....	1,914,268	2,176,520	-1,220,070	956,450
Total Outlays.....................	$15,360,546	$15,206,000	-$5,412,000	$9,794,000

EXPLANATION OF PROGRAM

The appropriation "River Basin Surveys and Investigations," funds three activities as authorized by Public Law 83-566, as amended. The Department cooperates with other Federal and State agencies in making surveys and investigations of watersheds of rivers and other waterways. Activities include:

1) USDA Cooperatives Studies:

The Department participates in:

-- Studies of agricultural and other rural land and water resources within river basins to gather basic data on existing and potential water supplies, present and future land use, current and potential economic development, and existing erosion and sediment problems.

-- Studies and investigations are made of agricultural, rural, and upstream water and land resources and problems to determine corrective actions needed and potentials for conservation, use, and development. Evaluations include:

-- Erosion and sediment damage to rural lands and properties,

-- Upstream floodwater damage to rural lands and properties,

-- Impaired drainage of agricultural lands,

-- Agricultural drought problems and potential for water conservation,

-- Agricultural water needs for livestock and domestic use,

-- Forest-based industries,

-- Municipal and industrial water needs.

The planning activity gives consideration to finding alternative combinations of land treatment, structural and nonstructural measures to solve the area's problems, meet the identified needs, and develop the indicated potentials.

2) Floodplain management assistance:

-- Is carried out in cooperation with State and local governments,

-- Identifies flood hazards on selected floodplain reaches,

-- Provides reports which include flood profiles and maps showing areas subject to flooding by select frequency floods,

-- Provides information needed by State and local governments to implement land use and floodplain management programs.

3) Interagency Coordination and Program Formulation:

-- Provides national policy and program leadership direction to studies of river basins, floodplain management, and Colorado River Salinity activities;

-- Provides USDA participation in water policy and program coordination at the National level.

-- Provides USDA membership and participation in the activities of three Federal-State Interagency Committees (SEBIAC, PSIAC, AWRBIAC), the Susquehanna and Delaware River Basin Commissions; and other regional entities involved in water and related resource planning and coordination.

-- Provides reviews of proposed reports and water projects of other Departments and agencies.

The following tabulation shows the number of surveys and obligations by type of survey for fiscal years 1985, 1986, and 1987.

	1985	1986	1987
1. Surveys in cooperation with State and other Federal agencies:			
a. Surveys in progress, start of year..........................	62	59	57
b. Surveys initiated during year..........................	10	11	0
c. Surveys worked during year...	71	70	57
d. Surveys completed during year	12	13	0
e. Surveys in progress, end of year..........................	69	57	0
Cumulative total surveys initiated....................	189	200	200
Cumulative total surveys completed....................	134	147	147
Total Cost Cooperative Surveys (000's)..........................	$9,954	$10,306	$7,123
2. Floodplain management assistance program:			
(a) States participating in Flood Plain Mgmt. Studies..	38	38	38
1. Ongoing Studies (BOY).......	86	86	74
2. New Studies.................	34	32	0
3. Completed Studies...........	34	44	0
4. Ongoing Studies (EOY).......	86	74	0
5. Cumulative total completed..	345	389	389
Total Cost Flood Plain Management Studies (000's)..................	$3,019	$2,452	$1,424
(b) Reimbursable Flood Insurance Studies (non-add) (000's)...	($595)	($525)	($0)
1. Ongoing Studies (BOY)........	13	15	6
2. New Studies..................	9	2	0
3. Completed Studies............	7	11	0
4. Ongoing Studies (EOY)........	15	6	0
5. Cumulative Total completed...	444	455	455
3. Interagency coordination and program formulation (000's).....	$1,847	$2,066	$925
Total direct obligations (000's)...	$14,820	$14,824	$9,472

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net decrease in appropriation of $5,351,000 for River Basin Surveys and Investigations program (on the basis of available funds there is a decrease of $5,351,739) consisting of:

(a) An increase of $9,472,000 for lump sum payments, severance pay and other nonrecurring program termination costs.

(b) A program decrease of $14,803,000 to terminate the River Basin Surveys and Investigations program (on the basis of available funds there is a decrease of $14,823,739).

Need for Change. Significant reductions are proposed in USDA conservation programs primarily for fiscal policy reasons in order to reduce mounting Federal deficits which threaten continued economic recovery. Benefits from these studies are primarily local or regional in nature. Funding from State and local governments and private sources would permit continuation of higher priority conservation work on the Nation's agricultural lands.

Nature of Change. The proposed reductions would terminate the Soil Conservation Service River Basin Surveys and Investigations program during fiscal year 1987. The ongoing work on about 57 River Basin studies and about 74 Flood Plain Management studies would become the responsibility of State agencies and/or the sponsors after about three months. No new River Basin studies or Flood Plain Management studies would be initiated and none are estimated to be completed.

Geographic Breakdown and Funding for River Basin Surveys and Investigations
(Dollars in Thousands)

			Obligations		
River Basin or Region	States Involved	Cooperating Agencies	1985 Act.	1986 Est.	1987 Est.
		Cooperative Surveys with States and Concerned Federal Agencies			
Alabama Statewide	Alabama	State	$329	$ --	$ --
Tombigbee	Alabama	State	--	58	48
Alaska Rivers	Alaska	State	509	570	472
Colorado River Indian Res.	Arizona	Cons.Dist.	13	--	--
Pinal County AMA	Arizona	State	8	11	--
Central Ari. Groundwater Cons.	Arizona	State	240	148	--
Arkansas Critical Erosion	Arkansas	State	363	--	--
Arkansas Delta	Arkansas	State	41	376	310
California Statewide	California	State	548	544	450
Main Walker	California	State	3	--	--
Dolores Project	Colorado	State	89	33	--
Missouri River Tributaries	Colorado	State	88	16	--
Central Coastal Basin	Connecticut	State	9	--	--
Coastal Sussex	Delaware	State	--	91	75
Central Fla.Water Conservation	Florida	Cons.Dist.	98	211	173
Central Panhandle	Florida	State	60	--	--
Upper Chattahoochee	Georgia	State	209	275	--
Southeast Georgia Resources	Georgia	State	77	--	--
Watershed Protection	Georgia	State	--	30	25
Upcountry Maui	Hawaii	State	128	155	128
Special Erosion Control	Idaho	State	221	185	153
Idaho Irrigation Study	Idaho	State	195	95	78
Middle and Lower Snake River	Idaho	State	67	--	--
Raft River	Idaho	State	--	147	121
Priority Lakes in Central Ill.	Illinois	State	65	--	--
Hydrology Unit	Illinois	State	--	92	76
E. Central Ind. Erosion Study	Indiana	State	201	351	290
Kankakee CRBS	Indiana	State	229	157	--
NE Indiana Erosion Study	Indiana	State	132	36	--
Skunk River	Iowa	State	245	395	325
Northeast Iowa Rivers	Iowa	State	208	--	--
Northeast Kansas Erosion	Kansas	State	--	26	22
Southeast Kentucky River	Kentucky	State	120	249	205
Kentucky Statewide	Kentucky	State	242	--	--
Lafourche-Terrebonne	Louisiana	State	217	162	--
Cropland Erosion Aroostook Co.	Maine	State	228	114	94
West Chesapeake	Maryland	State	212	218	180
Michigan Trib. St. Joseph	Michigan	State	152	5	--
Saginaw Bay Area	Michigan	State	185	323	266
Minnesota River Subbasins	Minn. & S.D.	State & COE	504	383	316
Lazarus Creek	Minnesota	State	--	35	29
Mississippi Statewide	Mississippi	State	27	--	--
Tombigbee and Tuscumbie	Mississippi	State	67	253	208
Pearl River	Mississippi	State & COE	119	190	157
Upper Salt River	Missouri	State	368	89	--
Three Forks Grand River	Missouri	State	--	286	236
Mt.Gravity Sprinkler Irrg.Sys.	Montana	State	90	116	--

Geographic Breakdown and Funding for River Basin Surveys and Investigations
(Dollars in Thousands)

			Obligations		
River Basin or Region	States Involved	Cooperating Agencies	1985 Act.	1986 Est.	1987 Est.
		Cooperative Surveys with States and Concerned Federal Agencies			
Sandhills	Nebraska	St.Nat. Res.Dist.	186	250	207
East & Main Walker	Nevada	Cons.& Irry.Dist.	120	42	--
NJ Statewide Sediment & Ero.Sty.	New Jersey	State	27	--	--
NM Program Maintenance	New Mexico	State	--	5	4
New York Special Study	New York	State	182	--	--
Oriskany & Kayaderossera	New York	State	206	361	297
NH Haw & Deep Rivers Spec.Ero.	N.Carolina	State	55	--	--
Broad River	N.Carolina	State	--	157	129
Des Lacs Souris River	N.Dakota	State	--	220	181
Surface Mined Area	Ohio	State	67	--	--
Impact of Erosion & Conserva.	Ohio	State	150	285	236
SW Okla. Erosion & Sediment	Oklahoma	State	36	73	61
Big Cove & Laurel Hill Creeks	Pennsylvania	State	--	88	72
Water Resources	Rhode Island	State	--	5	--
Central South Carolina	S.Carolina	State	238	223	--
West Piedmont	S.Carolina	State	--	178	147
Wolf-Loosahatchie	Tennessee	State & COE	113	--	--
Hatchie River Basin	Tennessee	State	187	77	--
West Eight	Tennessee	State	7	237	195
Critical Flooding & Erosion	Texas	State	73	228	188
Shambip River Basin	Utah	State	132	124	--
Vt.Flooding & Erosion	Vermont	State	22	179	148
Southwest Virginia	Virginia	State	218	235	194
Yakima River	Washington	State	43	--	--
East High Columbia	Washington	State	295	144	--
SE Washington RB	Washington	State	8	195	161
Lower Kanawha River	W.Virginia	State	38	--	--
Guyandotte	W.Virginia	State & Counties	142	181	149
Loess Hills, N.Miss. Valley	Wisconsin	State	103	16	13
Groundwater Protection	Wisconsin	State	--	63	51
Wyo.Coop.Irry.& Water Conserva.	Wyoming	State	289	303	251
Undistributed			--	12	--
USDA Coop.Studies			9,843	10,306	7,123
Colorado River Salinity			111	--	--
Flood Plain Management Studies			3,019	2,452	1,424
Interagency Coord. and Program Formulation			1,847	2,066	925
TOTAL DIRECT OBLIGATIONS			$14,820	$14,824	$9,472

SOIL CONSERVATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1985 AND ESTIMATED 1986 AND 1987
RIVER BASIN SURVEYS AND INVESTIGATIONS

	1985 AMOUNT	1985 STAFF YEARS	1986 AMOUNT	1986 STAFF YEARS	1987 AMOUNT	1987 STAFF YEARS
ALABAMA	$284,219	5	$50,771	1	$35,424	-1
ALASKA	458,845	2	490,785	2	342,428	0
ARIZONA	230,982	5	207,066	5	144,473	1
ARKANSAS	361,013	7	367,342	7	256,300	1
CALIFORNIA	631,799	17	556,489	17	388,271	1
COLORADO	312,994	9	105,524	3	73,626	1
CONNECTICUT	67,899	2	65,704	2	45,843	0
DELAWARE	240,001	5	283,720	5	197,956	1
FLORIDA	182,800	6	230,958	6	161,143	1
GEORGIA	310,062	7	229,962	5	160,448	1
HAWAII	109,733	2	141,362	2	98,630	0
IDAHO	381,591	7	369,333	7	257,689	1
ILLINOIS	187,273	5	225,980	5	157,670	1
INDIANA	474,948	11	480,830	11	335,482	1
IOWA	354,643	8	329,513	8	229,906	1
KANSAS	0	0	23,892	1	16,670	0
KENTUCKY	248,332	7	233,944	7	163,226	1
LOUISIANA	209,102	6	221,998	6	154,891	1
MAINE	74,585	3	60,726	3	42,369	0
MARYLAND	83,700	2	73,668	2	51,399	0
MASSACHUSETTS	30,480	1	30,861	1	21,532	0
MICHIGAN	253,051	6	307,612	6	214,626	1
MINNESOTA	469,696	11	402,185	10	280,611	1
MISSISSIPPI	179,422	4	361,369	8	252,133	0
MISSOURI	444,928	10	433,046	10	302,143	1
MONTANA	250,052	6	261,819	6	182,675	1
NEBRASKA	384,891	8	365,351	8	254,911	1
NEVADA	121,854	2	65,704	1	45,843	0
NEW HAMPSHIRE	325,000	8	449,969	11	313,950	1
NEW JERSEY	68,700	1	26,879	1	18,754	0
NEW MEXICO	0	0	4,978	0	3,473	0
NEW YORK	312,945	7	284,715	6	198,650	1
NORTH CAROLINA	250,266	6	277,747	6	193,788	1
NORTH DAKOTA	54,000	1	268,787	5	187,537	0
OHIO	291,498	8	377,297	10	263,246	1
OKLAHOMA	60,853	1	61,721	1	43,064	0
OREGON	46,787	1	18,915	1	13,197	0
PENNSYLVANIA	81,003	2	101,542	2	70,847	0
RHODE ISLAND	3,721	0	4,978	0	3,473	0
SOUTH CAROLINA	202,800	4	346,437	7	241,714	0
TENNESSEE	264,302	5	239,917	4	167,394	1
TEXAS	254,000	4	258,832	4	180,591	0
UTAH	107,754	2	115,479	2	80,571	0
VERMONT	113,082	3	98,555	3	68,763	0
VIRGINIA	161,121	5	181,182	5	126,413	1
WASHINGTON	317,324	8	333,495	8	232,685	1
WEST VIRGINIA	254,301	7	254,850	7	177,813	1
WISCONSIN	177,200	4	131,407	3	91,685	0
WYOMING	151,270	3	190,142	3	132,665	0
CHESTER NTC	180,882	4	173,218	4	120,857	0
FORT WORTH NTC	481,782	12	464,902	12	324,369	1
LINCOLN NTC	223,994	4	208,061	4	145,167	0
PORTLAND NTC	277,194	6	269,783	6	188,232	1
NATIONAL HDQTRS	1,410,981	22	1,440,437	22	1,014,784	2
ERS ALLOCATION	324,258	5	175,000	3	0	0
FS ALLOCATION	1,083,636	20	1,087,000	20	0	0
TOTAL, RIVER BASIN SURVEYS AND INVESTIGATIONS	$14,819,549	317	$14,823,739	315	$9,472,000	31

Watershed Planning Progress by State - September 30, 1985

State	Applications Received		Planning Authorized		Plans Completed	
	No.	Acres	No.	Acres	No.	Acres
Alabama	57	3,277,143	51	2,914,343	39	2,213,502
Arizona	26	2,717,062	19	1,775,782	13	1,136,162
Arkansas	91	6,652,644	78	6,090,948	56	3,163,525
California	65	3,861,415	54	3,200,917	24	981,483
Colorado	37	2,377,094	36	2,245,894	19	1,176,961
Connecticut	17	299,213	17	299,213	10	142,226
Delaware	6	409,398	6	409,398	4	281,898
Florida	36	2,338,138	35	2,332,038	22	1,298,358
Georgia	80	5,690,981	80	5,690,981	64	3,935,273
Hawaii	15	743,612	13	683,812	9	480,642
Idaho	31	2,061,134	29	1,849,024	15	658,502
Illinois	51	2,980,631	50	2,972,251	25	1,222,850
Indiana	63	4,652,544	61	4,466,393	37	2,292,432
Iowa	87	3,002,168	60	1,392,253	49	1,001,921
Kansas	99	11,187,977	73	7,529,775	55	5,362,046
Kentucky	52	3,239,418	48	2,899,574	33	2,146,713
Louisiana	68	7,821,818	56	6,473,468	40	4,827,275
Maine	26	1,184,277	24	1,041,177	16	654,464
Maryland	35	1,278,779	31	1,018,683	19	448,698
Massachusetts	17	561,274	17	561,274	11	458,532
Michigan	32	1,763,826	32	1,763,826	21	994,320
Minnesota	42	3,764,154	29	2,434,053	18	1,499,319
Mississippi	87	6,635,415	70	5,613,367	53	3,946,112
Missouri	66	5,719,613	40	2,767,034	24	1,233,837
Montana	31	2,068,321	30	2,056,321	18	1,292,571
Nebraska	96	8,273,462	65	4,300,745	50	3,161,359
Nevada	16	1,811,757	16	1,811,757	5	388,142
New Hampshire	14	1,055,082	12	1,021,382	7	456,770
New Jersey	22	620,948	20	541,948	15	389,347
New Mexico	69	5,988,967	40	2,907,868	28	1,681,677
New York	29	1,360,409	28	1,358,009	19	826,950
North Carolina	81	4,242,224	72	3,720,575	52	2,171,867
North Dakota	35	4,927,010	31	4,186,010	17	2,284,896
Ohio	47	5,038,503	31	2,774,987	18	1,452,166
Oklahoma	118	12,571,962	81	8,302,475	71	7,002,145
Oregon	31	2,677,771	29	2,368,931	18	1,139,166
Pennsylvania	44	1,985,159	37	1,770,493	26	1,300,207
Puerto Rico	6	342,710	5	267,710	3	252,002
Rhode Island	4	152,240	3	128,240		
South Carolina	60	3,615,782	58	3,371,680	45	2,257,738
South Dakota	24	1,890,912	23	1,868,179	15	758,801
Tennessee	78	3,583,948	55	2,660,233	37	1,545,902
Texas	113	11,846,543	112	11,601,543	91	9,336,564
Utah	24	2,608,842	24	2,608,842	13	1,313,317
Vermont	15	1,374,167	15	1,374,167	9	452,067
Virginia	45	2,458,819	42	2,364,456	32	1,901,277
Washington	30	1,145,848	29	1,139,693	19	441,989
West Virginia	47	1,962,503	39	1,465,034	25	887,080
Wisconsin	41	2,326,640	40	2,244,080	28	1,468,999
Wyoming	25	1,963,500	24	1,945,500	13	615,236
Total	2,331	172,113,757	1,970	138,586,336	1,350	86,353,286

Sharing Watershed Planning Costs

Watershed planning staffs are available to assist local organizations in all States except Alaska. A number of States that are undertaking River Basin Surveys under authority of Section 6 of Public Law 83-566 have integrated their regular watershed planning staff with the river basin survey staff. This permits efficient use of technical personnel to accomplish both activities.

Watershed Planning funds averaged approximately $138,884 per State in 1985 ranging from about $4,902 to $461,322. The size of the planning staffs varies according to the workload in each State. There were 32 watershed planning staffs nationwide. Staffs have been combined in the West and Northeast where individual States do not have sufficient planning workload to justify a complete staff. In most of those states without a planning staff, a water resource coordinator coordinates planning activities with combined staffs and other individual specialists.

In fiscal year 1985, State legislatures and other local organized units in States and Puerto Rico appropriated or otherwise provided about $4,020,134 to finance watershed planning activities. This local input was through advances, reimbursements, State-controlled watershed planning parties, or personnel provided by the States to work with Soil Conservation Service watershed planning units.

The current total cost per watershed plan is estimated at $550,000 of which about $400,000 is Federal. About 10 staff-years of Federal employment are required per plan.

Planning funds obligated and staff-years used in 1985 by State were:

State	Direct Obligations	Staff Years	State	Direct Obligations	Staff Years
Alabama	$253,314	6	Maryland	$ 14,800	
Arizona	70,980	2	Massachusetts	30,534	1
Arkansas	209,861	4	Michigan	63,269	2
California	448,199	11	Minnesota	135,568	3
Caribbean Area			Mississippi	125,203	3
Colorado	62,655	1	Missouri	311,649	7
Connecticut	38,813	1	Montana	156,131	3
Delaware	80,994	2	Nebraska	297,790	7
Dist. of Co.			Nevada	25,669	
(Nat. Hdq.)	380,975	6	New Hampshire	276,645	6
Florida	71,100	2	New Jersey	40,500	1
Georgia	77,475	2	New Mexico	4,902	
Hawaii	40,453	2	New York	122,493	3
Idaho	76,836	2	North Carolina	190,389	4
Illinois	105,282	2	North Dakota	61,331	2
Indiana	143,221	3	Ohio	251,936	6
Iowa	277,747	6	Oklahoma	461,322	11
Kansas	404,293	8	Oregon	40,681	1
Kentucky	101,149	2	Pennsylvania	44,665	1
Louisiana	216,302	5	Rhode Island	14,569	
Maine	25,656	1	South Carolina	121,500	2

State	Direct Obligations	Staff Years
South Dakota	$ 25,490	2
Tennesse	134,711	3
Texas	365,500	8
National Hdqts	380,975	
Utah	38,483	
Vermont	30,504	1
Virginia	174,192	1
Washington	56,022	3
Virginia	203,786	2
Wyoming	5,000	
State	**Direct Obligations**	**Years**
National Technical Ctr.	1,715,011	34
Total Watershed Planning, SCS	8,623,550	188
Alloc. acct.	233,707	4
Total Watershed Planning	$8,857,257	192

RIVER BASIN SURVEYS AND INVESTIGATIONS

STATUS OF PROGRAM

The Watershed Protection and Flood Prevention Act, Public Law 83-566, Section 6, August 4, 1954, provides for cooperation with other Federal, State, and local agencies in making investigations and surveys of river basins as a basis for the development of coordinated water resource programs. Reports of the investigations and surveys are prepared to serve as a guide for the development of agricultural, rural, and upstream watershed aspects of water, land, and related resources. They are also used as a basis for coordination with downstream and other phases of water development.

The Soil Conservation Service has leadership for administering river basin surveys, investigations, and planning activities including the development of general principles, criteria, and procedures; determining land resources availability and land uses; appraising physical problems and needs; determining water, land, and related resources potential of upstream watersheds; and coordinating programs with other agencies. During FY 1985, the Soil Conservation Service obligated $13,411,657 of the funds available for the appropriation.

The Forest Service is responsible for forestry aspects of river basin planning, both Federal and non-Federal, and for rangelands administered within National Forests and for the analysis and projection of economic activity related to forest industries. During FY 1985, the Forest Service obligated $1,083,636 of the funds available for the appropriation.

The Economic Research Service has been responsible for basinwide economic aspects of surveys and investigations including development of economic agricultural base information and projections of agricultural production, employment, income, rural population and land use for the economic analysis of agricultural water management needs and potentials; and evaluation of the regional economic impact of water resource plans of agriculture and related sectors of the economy. SCS began assuming responsibility for this work in FY 1984, and will assume complete responsibility in FY 1986. During FY 1985, the Economic Research Service obligated $324,258 of the funds available for the appropriation.

Other agencies in the Department participate in reviews and provide inputs where items of concern to the agency are involved.

COOPERATIVE RIVER BASIN SURVEYS

Current activities: The Department analyzes and projects the soil erosion, upstream flooding, and water use in the basin. Agricultural, water, land, and related resources problems are studied to determine corrective actions needed and potentials for resource management and development. Evaluations include studies of erosion, floodwater, and sediment damage to rural lands and properties; problems related to and methods to preserve prime and unique farmlands; agricultural drought problems and irrigation requirements; opportunities for water conservation, improved instream flows and water quality improvement; water needs for livestock, rural domestic use, fish, wildlife, forest-based industries, municipalities, and industries.

The inventories and analyses of water, land, and related resources in upstream watersheds include water storage capacity; the effect of land use and management practices on water quality and flow characteristics; and the potential hydrologic effect of agricultural, rural, and upstream watershed management alternatives. Consideration also is given to the effects of potential water resource projects on lands and programs administered by the Department.

Types of investigation and surveys conducted include USDA Cooperative River Basin surveys and Joint USDA-Corps of Engineers Studies (PL 87-639).

USDA Cooperative Surveys with Local, State, and Concerned Federal Agencies: The Department cooperates with local, State, and concerned Federal agencies in the preparation and updating of State water resource plans and special water, land, and related resources studies. The Department helps States coordinate upstream and downstream elements of water, land, and related resources planning activities. Between 1961 and 1985, the Department has participated in 170 cooperative surveys and has completed 122.

Joint USDA - Corps of Engineers Studies (PL-87-639) Upon request by the Congress, USDA cooperates with the U.S. Army Corps of Engineers in joint investigations and surveys for solving water and related resource problems for river basins or other specific problem areas. Three studies are expected to be in planning during FY 1987.

Selected examples of recent progress:

Louisiana Statewide Cooperative River Basin Study - State of Louisiana. This cooperative river basin study focused on erosion and floodwater problems. The study identified and located cropland, grazing land, and forest land areas where erosion is excessive.

SCS and others are using this information to establish program priorities to plan and implement projects and practices to reduce erosion. A workload analysis based on inventory data has been made for all SCS field offices, and both Soil and Water Conservation Districts and SCS long-range plans have been updated. Maximum use of study funds were made by closely coordinating investigations with those of the 1982 National Resource Inventory (NRI). This increased the quality of data sets developed and reduced the cost of data collection. This data can be further developed and used in other SCS programs and by sponsoring state agencies. For example, SCS has all watershed boundaries digitized on an automated system. Data can be retrieved on a watershed basis or more data can be added.

The study provided an update on early-action watershed projects identified in previous river basin studies. This update, supplemented by the current inventory of floodwater problem areas, was developed into a resource list of projects viable for development. This list is being used to guide future project development and to develop multi-year water resource plans.

The State Soil and Water Conservation Committee has used study data to help solve nonpoint pollution problems and to establish and update long-range programs that direct assistance to individual land users and units of local government. The Office of Public Works used study data to assist in developing a state water management and conservation plan that identifies conservation needs, locates water problem areas, and proposes new legislation to implement the plan. Also, they are using study data to coordinate elements of the Water Management Plan with elements of the State's 208 Water Quality Program. The State Planning Office is using land use study data to enhance their use of the U. G. Geological Survey level II land use data.

Sponsors of the study included the Louisiana State Soil and Water Conservation Committee, the Louisiana Office of Public Works, The Louisiana State Planning Office, and the Louisiana Department of Environmental Quality, Office of Water Resources, Water Pollution Control Division.

Michigan Tributaries of the St. Joseph Cooperative River Study - State of Michigan. The principal objectives of this study were:

1. Identify, locate and quantify erosion and sedimentation problem areas.
2. Develop and evaluate alternative resource management systems for reducing erosion problems, which included economic analyses.

3. Identify and prioritize needed land treatment watersheds.
4. Identify flood prone areas and prioritize needed flood plain management studies.
5. Assess forest resources and provide alternatives for improved forest management.

To achieve these objectives, county-level reports and planning handbooks were developed to locate problem areas and to provide technical assistance in implementing changes. Information is included about important erosive soils, practices, tillages, budgets, net returns, sheet, rill and wind erosion, and costs and returns for selected resource management systems.

It was determined that soil erosion control is needed on 853 thousand of the 1.5 million acres of cropland in the study area. The recommended strategy to accomplish erosion control is the promotion and adoption of conservation tillage and conservation cropping systems. To implement changes on 65 percent of the cropland acres needing treatment would require an estimated 335 staff years. If staff and funds are made available, it is expected that about 1.3 million acres would be adequately protected by the year 2000.

Three potential land treatment watersheds were identified. They are Portage River - Little Portage Creek, Swan Creek and Paw Paw River. Watershed investigation reports have identified problems and potential solutions to allow sponsors to proceed with the planning and implementation process. One of the watersheds will be developed into a preauthorization planning report.

Flood prone areas were delineated and nineteen potential flood plain management study watersheds were identified. These studies will help community planners and officials develop local flood plain management programs and help determine if proposed building sites are located in flood areas. Work is currently underway on the Coldwater River study.

The eight county study area contains about 513,800 acres of commercial forest land. Only about 5 percent is managed. The lack of management or past mismanagement has decreased the value of the existing resource and is causing the loss of many of its most valuable species. The ongoing average economic return is about $47 per acre per year. Under multiple use forest management identified in the study, this could increase to $433 per acre per year.

FLOOD PLAIN MANAGEMENT ASSISTANCE PROGRAM

Flood Plain Management Studies Current Activities: The Soil Conservation Service assists local governments in revising and implementing their flood plain management programs by carrying out cooperative flood plain management studies, in accordance with A Unified National Program for Flood Plain Management. Local governments request flood plain management studies from the State agency, which determines the priority for study. Each study is carried out in accordance with a Plan of Work developed by the local government and the SCS. Studies may include flood hazard determination, assessing natural and beneficial values, local flood plain management options, floodway determinations, and interpretation of technical data to assist communities in their flood plain management decisions.

The information generated serves as the basis for recommendations to conservation district cooperators and local planners and officials regarding proposed land use changes, assisting local governments with their flood plain management programs, and determining the flooding hazard of proposed housing and building sites for other agencies, such as the Farmers Home Administration. The information developed in flood plain management studies is also utilized in a variety of USDA ongoing programs. The study findings are used in watershed planning and preplanning, river basin studies and investigations, the reevaluation of flood plains below completed watershed projects, and determining suitability of proposed resource conservation and development measures.

A total of 431 flood plain management studies have been initiated through FY 1985; 345 studies have been completed.

Selected example of recent progress:

Red Oak Creek and Tributaries FPMS - State of Texas. The objective of this study in Ellis County, Texas, was to define the flood plain so that the local governments could plan land use and develop programs consistent with the identified flood hazards. The watershed is located adjacent to Dallas County and is rapidly being developed into home sites by people who commute to work in the Dallas-Fort Worth area. Rapid development of home sites for commuters is further enhanced by the presence of two interstate highways which cross the watershed. The study included approximately 100 stream miles and involved a large portion of the county outside of incorporated cities.

The Ellis County Commissioners Court adopted and put into effect "Regulations for Flood Plain Management", which includes a permitting program for new construction in the county. A flood plain coordinator has been hired and he or his assistants issue permits and check all new construction in the county.

South Heart FPMS - State of North Dakota. The city of South Heart is a small community (population 294) located at the confluence of the South Branch of the Heart River in Stark County. The city requested a flood plain management study because of development restrictions placed on the local people due to their city being identified as located in a flood plain. Their objective was to develop a more detailed flood plain map of their city to be used for future development, prepare a flood insurance rate map and determine alternatives for flood protection.

The previous flood plain map used for the Emergency Flood Insurance Program showed most of the city in the flood plain. The previous map was based on visual observation--no hydraulic or hydrologic studies were involved. The completed flood plain management study showed much of the city to be outside of the flood plain. This caused a dramatic change in flood insurance rates and needs for the city.

There is a need to install a small dike system adjacent to the South Branch of the Heart River overflow area near the southwest part of the city. This will be accomplished by the sponsor of the study at no financial cost to the federal government. The technical assistance will be furnished by the SCS.

The sponsors are very pleased with the study as it verified the local people's assumption that the previous flood plain map was incorrect. The study also presented various flood plain management recommendations such as adoption of local land use and zoning regulations for all flood plain areas, maintenance of existing channels to keep them clear of debris, and alternatives for flood protection.

Flood Insurance Studies Current Activities. SCS performed reimbursable flood insurance studies for the Federal Emergency Management Agency under Section 1360c of the National Flood Insurance Act of 1968 (Public Law 90-448). Flood insurance studies provide the technical information to enable communities to adopt flood plain management regulations to meet the requirements of the National Flood Insurance Program.

SCS initiated 9 new flood insurance studies in fiscal year 1985 and has completed a total of 444 detailed flood insurance studies in 45 States.

INTERAGENCY COORDINATION AND PROGRAM FORMULATION

Interagency coordination and program formulation in water and related land resources are achieved at the Federal level through the Cabinet Council on Natural Resources and Environment. The Secretary of Agriculture is a member of the

Council. The Assistance Secretary for Natural Resources and Environment serves on the Assistant Secretary's Working Group on Water Resources. All relevant USDA agencies provide input to the water policy and program related issues through the USDA Committee on Natural Resources and Environment chaired by the Assistant Secretary. The Assistant Secretary's Working Group maintains a number of task forces and ad hoc subgroups on which the Department is represented.

At the field level, coordination of regional and river basin planning has been achieved through River Basin Commissions, Interagency Committees, or ad hoc coordinating committees. With the discontinuance in FY 1982 of River Basin Commissions formed under the Water Resources Planning Act of 1965, PL 89-80, other regional entities are replacing the Commissions. The Soil Conservation Service will continue to represent the Department when USDA representation is needed on the newly formed regional entities. For two of the Interagency Committees, the USDA member periodically serves as chairman and provides an executive secretary.

At the National level, Coordination and Program formulation activities are for developing water resource policy, data collection, standards for analysis, procedures for planning and overall program guidance. Refer to the Geographic Breakdown table immediately following this justification of increases and decreases for a distribution of funds by state and river basin or region.

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Watershed Planning

For necessary expenses [for small watershed investigations and planning, in accordance with the Watershed Protection and Flood Prevention Act, as amended (16 U.S.C. 1001-1008), $8,922,000: Provided, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $50,000 shall be available for employment under 5 U.S.C. 3109.] to closeout activities previously funded under this account, $6,480,000.

This change deletes language to carry out the Watershed Planning program beyond FY 1987. Program operations would be terminated as quickly as possible.

Watershed Planning

Appropriation Act, 1986		$8,922,000
Budget Estimate, 1987		6,480,000
Decrease in Appropriation		-2,442,000
Adjustments in 1986:		
Appropriations Act, 1986	$8,922,000	
Less Pro-Rata Reduction, P.L. 99-190	-54,000	
Net Appropriations	8,868,000	
Transfer to Departmental Administration and Office of Governmental and Public Affairs for Reimbursable Activities a/	-7,000	
Adjusted base for 1986		$8,861,000
Budget Estimate, 1987		6,480,000
Decrease from adjusted 1986		-2,381,000

a/ A transfer of $6,000 to Departmental Administration (DA) and $1,000 to the Office of Governmental and Public Affairs (OGPA) for activities previously financed on a reimbursable basis as a direct appropriation in FY 1987.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Watershed Planning	$8,861,000	-$2,381,000a/	$6,480,000

a/ Reflects a $6,000 transfer to Departmental Administration and $1,000 to the Office of Governmental and Public Affairs for activities previously handled on a reimbursable basis.

PROJECT STATEMENT
(On the basis of adjusted appropriations)

Project	1985 Amount	1985 Staff Years	1986 estimated Amount	1986 estimated Staff Years	Decrease	1987 estimated Amount	1987 estimated Staff Years
Watershed Planning	$8,922,000	192	$8,861,000	192	-$2,381,000	$6,480,000	18
DA and OGPA Transfer		--	7,000	--			
Appropriation total	$8,922,000	192	$8,868,000	192			

PROJECT STATEMENT
(On basis of available funds)

Project	1985 Amount	1985 Staff Years	1986 estimated Amount	1986 estimated Staff Years	Decrease	1987 estimated Amount	1987 estimated Staff Years
Direct Obligations:							
Watershed Planning:							
1. Small watershed planning authorized by PL-566	$8,857,257	192	$8,861,000	192	-$2,381,000	$6,480,000	18
Unobligated balance brought forward	--	--	--	--	--	--	--
Unobligated balance lapsing	(+64,743)	--	--	--	--	--	--
Adjusted appropriation	(8,922,000)	(192)	(8,861,000)	(192)	(-2,381,000)	(6,480,000)	(18)
Reimbursable oblig.	442,108	13	750,000	13	-750,000	(--)	(--)
Obligational authority	9,299,365	205	9,611,000	205	-3,131,000	6,480,000	18

SOURCES OF REIMBURSEMENTS

	1985 Actual	1986 Estimated	Decrease	1987 Estimated
Within USDA	--	--	--	--
Other Federal Sources	--	--	--	--
Non-federal Sources	442,108	750,000	-750,000	--
Total reimbursements	442,108	750,000	-750,000	--

OUTLAYS

Small watershed planning authorized by PL-566	8,514,630	9,777,000	-3,154,000	6,623,000

EXPLANATION OF PROGRAM

The appropriation "Watershed Planning," funds activities authorized by the Watershed Protection and Flood Prevention Act (Public Law 83-566), as amended, which relate to planning of individual watershed projects.

The Department makes surveys of proposed small watershed projects and prepares plans in cooperation with local sponsors. The planning activities consist of:

-- Cooperation between the Federal Government and State governments and their political subdivisions in assisting local sponsoring organizations develop plans for proposed watershed projects,

-- Conducting surveys and investigations to determine the land and water resource problems and opportunities within the watershed,

-- Studying alternatives to provide the best combination of land treatment, nonstructural, and structural measures for the protection, conservation, development, management, and utilization of land, water, and related resources,

-- Compiling information that is the basis for mutual agreement by the Department, local organizations, and the public concerning the possible alternative solutions which will best meet environmental, social, and economic goals,

-- Making environmental assessments concurrently with other planning efforts for every proposed watershed project, and

-- Preparing environmental impact statements when applicable and making them available to the public.

The watershed plans:

-- Identify the soil and water management problems in the watershed.

-- List the steps that have been or are authorized to be taken to alleviate these problems.

-- Outline the proposed works of improvement to be installed.

-- Itemize the estimated benefits and costs.

-- Set out the cost-sharing and operation and maintenance arrangements.

-- Present other facts necessary to justify Federal participation in project development.

The following table lists actual and projected progress for small watershed applications, planning, and operations.

Activity	1985 Actual	1986 Estimate	1987 Estimate
1. Application for planning assistance:			
On hand, cumulative, start of year...	2,290	2,331	2,356
Net change during year................	41	25	0
On hand, cumulative, end of year.....	2,331	2,356	2,356
Consisting of:			
a. Authorized for planning.........	1,970	2,010	2,010
b. Available for planning..........	361	346	346

Activity	1985 Actual	1986 Estimate	1987 Estimate
2. Status of planning:			
Authorized, cumulative, start of year	1,927	1,970	2,010
LESS:			
Suspended or terminated, cumulative, start of year......................	473	477	479
Completed, cumulative, start of year.	1,316	1,350	1,395
SUBTOTAL:			
Planning in process, start of year...	138	143	136
PLUS:			
New authorizations during year.......	43	40	0
LESS:			
Terminated during year...............	4	2	0
Completions during year..............	34	45	0
Planning in process, end of year.....	143	136	136
3. Status of projects operations:			
Uncompleted projects start of year...	704	721	736
Projects approved for operations.....	34	35	0
New construction starts..............	14	20	0

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net decrease in appropriation of $2,381,000 for Small Watershed Planning authorized by PL-566 (on the basis of available funds, there is also a decrease of $2,381,000) consisting of:

(a) An increase of $6,480,000 for lump sum payments, severance pay and other nonrecurring termination costs.

(b) A program decrease of $8,861,000 to terminate the Small Watershed Planning program.

Need for Change. Significant reductions are proposed in USDA conservation programs primarily for fiscal policy reasons in order to reduce mounting Federal deficits which threaten continued economic recovery. Benefits from these projects are local and, if of sufficient value, should be within the capability of most States to fund.

Nature of Change. The proposed reductions would terminate new federal funding for Small Watershed Planning by the end of fiscal year 1987. No new planning starts would be initiated and work on all active plans would cease. Where possible, inventory data, studies and analyses would be developed and organized to the extent that it could be used by State, local and/or other interested parties to complete planning.

SOIL CONSERVATION SERVICE
GEOGRAPHICAL BRAKDOWN OF OBLIGATIONS AND STAFF YEARS
1985 AND ESTIMATED 1986 AND 1987
WATERSHED PLANNING

	1985 AMOUNT	1985 STAFF YEARS	1986 AMOUNT	1986 STAFF YEARS	1987 AMOUNT	1987 STAFF YEARS
ALABAMA	$253,314	6	$280,000	6	$205,000	1
ARIZONA	70,980	2	90,000	2	66,000	0
ARKANSAS	209,861	4	197,000	4	144,000	0
CALIFORNIA	448,199	11	450,000	11	329,000	1
COLORADO	62,655	1	79,000	2	58,000	0
CONNECTICUT	38,813	1	36,000	1	26,000	0
DELAWARE	80,994	2	122,000	2	89,000	0
FLORIDA	71,100	2	72,000	1	53,000	0
GEORGIA	77,475	2	101,000	2	74,000	0
HAWAII	40,453	1	120,000	2	88,000	0
IDAHO	76,836	2	68,000	1	50,000	0
ILLINOIS	105,282	2	113,000	2	83,000	0
INDIANA	143,221	3	152,000	3	111,000	0
IOWA	277,747	6	268,000	5	196,000	1
KANSAS	404,293	8	411,000	9	301,000	2
KENTUCKY	101,149	2	101,000	2	74,000	0
LOUISIANA	216,302	5	196,000	4	143,000	0
MAINE	25,656	1	26,000	1	19,000	0
MARYLAND	14,800	0	15,000	0	11,000	0
MASSACHUSETTS	30,534	1	31,000	1	23,000	0
MICHIGAN	63,269	2	82,000	2	60,000	1
MINNESOTA	135,568	3	149,000	3	109,000	0
MISSISSIPPI	125,203	3	139,000	3	102,000	0
MISSOURI	311,649	7	343,000	8	251,000	1
MONTANA	156,131	3	163,000	3	119,000	0
NEBRASKA	297,790	7	314,000	7	230,000	1
NEVADA	25,669	0	51,000	1	37,000	0
NEW HAMPSHIRE	276,645	6	159,000	3	116,000	0
NEW JERSEY	40,500	1	31,000	1	23,000	0
NEW MEXICO	4,902	0	5,000	0	4,000	0
NEW YORK	122,493	3	101,000	2	74,000	0
NORTH CAROLINA	190,389	4	182,000	4	133,000	0
NORTH DAKOTA	61,331	2	94,000	2	69,000	1
OHIO	251,936	6	184,000	4	135,000	0
OKLAHOMA	461,322	11	463,000	11	339,000	2
OREGON	40,681	1	33,000	1	24,000	0
PENNSYLVANIA	44,665	1	26,000	1	19,000	0
RHODE ISLAND	14,569	0	15,000	0	11,000	0
SOUTH CAROLINA	121,500	2	122,000	2	89,000	0
SOUTH DAKOTA	25,490	0	15,000	0	11,000	0
TENNESSEE	134,711	3	137,000	3	100,000	0
TEXAS	363,500	8	376,000	9	275,000	1
UTAH	38,483	1	51,000	1	37,000	0
VERMONT	30,504	1	31,000	1	23,000	0
VIRGINIA	174,192	3	176,000	4	129,000	0
WASHINGTON	56,022	2	51,000	1	37,000	0
WEST VIRGINIA	203,786	6	202,000	4	148,000	0
WYOMING	5,000	0	5,000	0	4,000	0
CHESTER NTC	210,055	5	211,000	4	154,000	0
FORT WORTH NTC	376,034	7	377,000	9	276,000	1
LINCOLN NTC	272,989	5	260,000	5	190,000	1
PORTLAND NTC	855,933	17	781,000	19	571,000	3
NATIONAL HDQTRS	380,975	6	373,000	9	438,000	1
FS ALLOCATION	233,707	4	231,000	5	0	0
TOTAL, WATERSHED PLANNING	$8,857,257	192	$8,861,000	193	$6,480,000	18

WATERSHED PLANNING

STATUS OF PROGRAM

The Watershed Protection and Flood Prevention Act, Public Law 83-566, August 4, 1954, provides for cooperation between the Federal Government and the States and their political subdivisions in a program of watershed planning. The watershed planning work of the Department consists of assisting sponsoring local organizations to develop a plan on watersheds not exceeding 250,000 acres. The soil erosion, flooding, water and land management, and sedimentation problems in a watershed are described and works of improvement are proposed to alleviate these problems. The resulting watershed plans form the basis for installing needed works of improvement. Plans also include conservation land treatment needed to conserve and protect land, water, and related resources. Plans include estimated benefits and costs, cost-sharing, operation and maintenance arrangements, and other information necessary to justify Federal assistance for carrying out the plan.

PROGRAM ASSIGNMENTS

The Soil Conservation Service is responsible for administration of the Watershed Planning Program. During FY 1985, the Soil Conservation Service obligated $8,623,550 of the funds for watershed planning.

The Forest Service is responsible for planning the forestry measures for national forest lands and for fire prevention forestry measures on non-Federal forest lands in the watersheds. During FY 1985, the Forest Service obligated $233,707 of the funds for watershed planning.

In addition to these agencies receiving allocations, other Federal agencies are reimbursed for services as needed. The Economic Research Service assists with development of criteria to be used in economic analysis of watershed projects. The Department of the Interior's Bureau of Land Management and Bureau of Indian Affairs are provided funds when needed to plan watershed measures for Federal lands which they administer. The National Oceanic and Atmospheric Administration of the Department of Commerce and the U.S. Geological Survey of the Department of the Interior provide precipitation and runoff data.

Developing Watershed Plans

Watershed planning is a coordinated investigation of the physical, environmental, social, and economic conditions specific to a watershed. The plan displays the benefits and opportunities for conservation, development, and management of land, water, and related resources. Planning includes an analyses of alternatives to solve watershed problems and to find the most cost effective, acceptable solution. Watershed planning requires the skills of soil conservationists, economists, hydrologists, geologists, foresters, and engineers. Support is provided by soil scientists, social scientists, biologists, plant technologists, and recreation and environmental specialists. Interested Federal, State, and local agencies and the general public are given an opportunity and are encouraged to participate in and contribute to the planning process. This assures that works of improvement included in plans are consistent with other programs and are compatible with local, regional and national goals. Each watershed is planned so that the national economic development objective is reasonably maximized. The plan must be one which the local people are able, willing, and ready to install with assistance provided under the program, and one which they can and will effectively operate and maintain.

Environmental assessments are made by the Soil Conservation Service and others for each watershed being planned. These assessments are integrated into the planning process at the earliest possible stage. Environmental impact statements, when required, are submitted for review and comment to local, State, and Federal agencies and are available to the general public. This provides an opportunity to obtain formal comments from a wide range of interests during planning.

Current Activities: On December 21, 1982, the President sent to Congress the National Program for Soil and Water Conservation (NCP). This program established the Department of Agriculture's long-term conservation objectives and national conservation program priorities. In FY 1983, the Soil Conservation Service (SCS) established policy and general criteria to be used to develop watershed plans for redirecting the watershed purposes to reflect the national priorities. Planning starts approved during FY 1985 will result in 87 percent of Federal installation costs being directed to the three highest NCP priorities, i.e., erosion control, flood prevention, and water conservation.

The SCS continued initiatives started during FY 1983 to withdraw nonfeasible applications and terminate nonfeasible projects authorized for planning. At the beginning of FY 1985 there were 2290 viable applications for watershed planning assistance. During the year 41 applications were received, and 40 applications were approved for planning. As of September 30, 1985, there were 2331 viable applications for watershed planning assistance.

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Watershed and Flood Prevention Operations

1 For necessary expenses to [carry out preventive measures, including but not limited to research, engineering operations, methods of cultivation, the growing of vegetation, rehabilitation of existing works and changes in use of land, in accordance with the Watershed Protection and Flood Prevention Act approved August 4, 1954, as amended (16 U.S.C. 1001-1005, 1007-1009), the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-f), and in accordance with the provisions of laws relating to the activities of the Department, $183,843,000 (of which $27,617,000 shall be available for the watersheds authorized under the Flood Control Act approved June 22, 1936 (33 U.S.C. 701, 16 U.S.C. 1006a), as amended and supplemented): Provided, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $5,000,000 shall be available for emergency measures as provided by sections 403-405 of the Agricultural Credit Act of 1978 (16 U.S.C. 2203-2205), and not to exceed $200,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That $14,000,000 in loans may be insured, or made to be sold and insured, under the Agricultural Credit Insurance Fund of the Farmers Home Administration (86 Stat. 663): Provided further, That not to exceed $1,000,000 of this appropriation is available to carry out the purposes of the Endangered Species Act of 1973 (Public Law 93-205), as amended, including cooperative efforts as contemplated by that Act to relocate endangered or threatened species to other suitable habitats as may be necessary to expedite project construction.] closeout activities previously funded under this account, $67,778,000.

2 [Notwithstanding any other provision of this joint resolution, and in addition to amounts appropriated elsewhere, there are appropriated $40,000,000 to remain available until expended, for "Watershed and Flood Prevention Operations" for emergency measures as provided in sections 401 and 403-405 of the Agricultural Credit Act of 1978 (16 U.S.C. 2201 and 2203-2205)]

The first change deletes language to carry out the Watershed and Flood Prevention Operations program beyond FY 1987. Program operations would be terminated as quickly as possible, and the Farmers Home Administration would no longer be authorized to make loans associated with this activity.

The second change proposes deletion of language which provided an additional $40,000,000 for the Emergency Watershed Protection Operation program in FY 1986. The language is not needed in 1987 because this supplemental appropriation was applicable to fiscal year 1986 only.

Watershed and Flood Prevention Operations

	Watersheds Authorized by PL-534	Emergency Watershed Operations	Small Watersheds Authorized by PL-566	Total Watersheds and Flood Prevention
Appropriation Act, 1986...........	$27,617,000	$5,000,000	$151,226,000	$183,843,000
Budget Estimate, 1987.............	12,400,000	1,106,000	54,272,000	67,778,000
Decrease in Appropriation.........	-15,217,000	-3,894,000	-96,954,000	-116,065,000
Adjustments in 1986:				
Appropriation Act, 1986.........	$27,617,000	$5,000,000	$151,226,000	$183,843,000
Less Pro-Rata Reduction, P.L.99-190	-166,000	-30,000	-907,000	-1,103,000
Transfer from Conservation Operations, P.L.99-190........	+7,952,000	--	--	+7,952,000
1986 Supplemental for Emergency Watershed Operations..........	--	+40,000,000	--	+40,000,000
Net Appropriations..........	35,403,000	44,970,000	150,319,000	230,692,000
Transfer to Departmental Administration and Office of Governmental and Public Affairs for Reimbursable Activities a/....	-10,800	-2,000	-59,200	-72,000
Adjusted base for 1986......	$35,392,200	$44,968,000	$150,259,800	$230,620,000
Budget Estimate, 1987.............	12,400,000	1,106,000	54,272,000	67,778,000
Decrease from adjusted 1986.......	-22,992,200	-43,862,000	-95,987,800	-162,842,000

a/ A transfer of $60,000 to Departmental Administration (DA) and $12,000 to the Office of Governmental and Public Affairs (OGPA) for activities previously financed on a reimbursable basis as a direct appropriation in FY 1987.

SUMMARY OF INCREASES AND DECREASES
(on basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Watershed and Flood Prevention Operations:			
1. Watershed operations authorized by PL-534......................	$29,032,200	-$16,632,200	$12,400,000
2. Emergency watershed protection operations....................	37,985,000	-36,879,000	1,106,000
3. Small watersheds authorized by PL-566.	103,201,800	-48,929,800	54,272,000
Proposed rescission...............	60,401,000	-60,401,000	--
TOTAL AVAILABLE..........................	$230,620,000a/	-$162,842,000	$67,778,000

PROJECT STATEMENT
(On basis of adjusted appropriations)

Project	1985		1986 estimated			1987 estimated	
	Amount	Staff Years	Amount	Staff Years	Decrease	Amount	Staff Years
1. Watershed operations authorized by PL-534:							
(a) Planning.......	$1,385,200	35	$1,744,600	43	-$1,744,600	--	--
(b) Technical assistance.....	12,166,800	355	15,690,600	372	-3,290,600	$12,400,000	36
(c) Financial assistance for construction:							
Direct Federal contracting...	11,340,000	--	9,297,000	--	-9,297,000	--	--
Payment for contracting by local sponsors	2,532,000	--	2,126,000	--	-2,126,000	--	--
(d) Loan services..	193,000	7	174,000	6	-174,000	--	--
Subtotal, flood prevention.........	27,617,000	397	29,032,200	421	-16,632,200(1)	12,400,000	36
2. Emergency Watershed Protection Operation	5,000,000	117	37,985,000	230	-36,879,000(2)	1,106,000	7

a/ A request has been submitted to Congress to rescind $60,401,000.

Project	1985		1986 estimated			1987 estimated	
	Amount	Staff Years	Amount	Staff Years	Decrease	Amount	Staff Years
3. Small watersheds authorized by PL-566:							
(a) Technical assistance.....	62,785,000	1,659	62,395,800	1,683	-8,123,800	54,272,000	163
(b) Financial assistance for construction:							
Direct Federal contracting...	34,344,000	--	16,153,000	--	-16,153,000	--	--
Payment for contracting by local sponsors	53,700,000	--	24,305,000	--	-24,305,000	--	--
(d) Loan services..	397,000	14	348,000	12	-348,000	--	--
Subtotal, watershed operations..........	151,226,000	1,673	103,201,800	1,695	-48,929,800(3)	54,272,000	163
Proposed rescission...	--	--	60,401,000	--	-60,401,000	--	--
Adjusted appropriation	183,843,000	2,187	230,620,000	2,346	-162,842,000	67,778,000	206
Transfer to DA and OGPA	--	--	72,000	--			
Total Appropriation....	183,843,000	2,187	230,692,000	2,346			

PROJECT STATEMENT
(On basis of available funds)

Project	1985		1986 estimated			1987 estimated	
	Amount	Staff Years	Amount	Staff Years	Decrease	Amount	Staff Years
1. Watershed operations authorized by PL-534:							
(a) Planning.......	$1,767,537	35	$2,036,600	43	-$2,036,600	--	--
(b) Technical assistance.....	15,907,836	355	18,310,930	372	-5,910,930	$12,400,000	36
(c) Financial assistance for construction:							
Direct Federal contracting...	9,988,760	--	11,654,000	--	-11,654,000	--	--
Payment for contracting by local sponsors	2,243,373	--	2,658,000	--	-2,658,000	--	--
(d) Loan services..	193,000	7	174,000	6	-174,000	--	--
Subtotal, flood prevention.........	30,100,506	397	34,833,530	421	-22,433,530(1)	12,400,000	36
2. Emergency Watershed Protection Operation	16,115,849	117	42,807,491	230	-41,701,491(2)	1,106,000	7
3. Small watersheds authorized by PL-566:							
(a) Technical assistance.....	69,454,033	1,659	66,378,942	1,683	-12,106,942	54,272,000	163
(b) Financial assistance for construction:							
Direct Federal contracting...	34,805,291	--	15,206,500	--	-15,206,500	--	--
Payment for contracting by local sponsors	57,626,116	--	26,935,600	--	-26,935,600	--	--
(d) Loan services..	397,000	14	348,000	12	-348,000	--	--
Subtotal, watershed operations..........	162,282,440	1,673	108,869,042	1,695	-54,597,042(3)	54,272,000	163
Proposed rescission...	--	--	60,401,000	--	-60,401,000	--	--
Total direct obligations..........	208,498,795	2,187	246,911,063	2,346	-179,133,063	67,778,000	206
Unobligated balance brought forward......	(-40,946,858)	--	(-16,291,063)	--	(+16,291,063)	--	--
Unobligated balance carried forward......	(+16,291,063)	--	--	--	--	--	--
Adjusted appropriation	(183,843,000)	2,187	(230,620,000)	2,346	(162,842,000)	(67,778,000)	206

Project	1985		1986 estimated			1987 estimated	
	Amount	Staff Years	Amount	Staff Years	Decrease	Amount	Staff Years
Reimbursable obligations:							
1. Watershed operations authorized by PL-534:							
(a) Planning.......	--	--	--	--	--	--	--
(b) Technical assistance.....	285,198	8	49,000	8	-49,000	--	--
(c) Financial assistance for construction:							
Direct Federal contracting...	308,005	--	51,000	--	-51,000	--	--
Payment for contracting by local sponsors	--	--	--	--	--	--	--
(d) Loan services..							
Subtotal, flood prevention.........	593,203	8	100,000	8	-100,000	--	--
2. Emergency Watershed Protection Operation	1,432,418	--	500,000	--	-500,000	--	--
3. Small watersheds authorized by PL-566:							
(a) Technical assistance.....	311,237	2	925,300	2	-925,300	--	--
(b) Financial assistance for construction:							
Direct Federal contracting...	2,379,810	--	7,074,700	--	-7,074,700	--	--
Payment for contracting by local sponsors	--		--	--	--	--	--
(c) Loan services..	--	--	--	--	--	--	--
Subtotal, watershed operations..........	2,691,047	2	8,000,000	2	-8,000,000	--	--
Total, reimbursable obligations..........	4,716,668	10	8,600,000	10	-8,600,000	--	--
Obligational authority...........	213,215,463	2,197	255,511,063	2,356	-187,773,063	67,778,000	206

SOURCES OF REIMBURSEMENTS

	1985 Actual	1986 estimated	Decrease	1987 estimated
Within USDA.......................	17,482	36,684	-36,684	--
Other Federal Agencies............	302,878	199,474	-199,474	--
Non-Federal Sources...............	4,396,308	8,363,842	-8,363,842	--
Total reimbursements..............	4,716,668	8,600,000	-8,600,000	--

OUTLAYS

	1985 Actual	1986 estimated	Decrease	1987 estimated
1. Watershed operations authorized by PL-534..............	34,846,514	37,210,200	-9,616,200	27,594,000
2. Emergency Watershed Protection Operations.............	19,912,294	46,321,000	-27,926,000	18,395,000
3. Small watersheds authorized by PL-566...................	194,144,681	141,762,800	+1,661,200	143,424,000
Proposed rescission............	--	18,120,000	+9,060,000	+27,180,000
Total Outlays..................	248,903,489	243,414,000	-26,821,000	216,593,000

EXPLANATION OF PROGRAM

The appropriation "Watershed and Flood Prevention operations" funds those activities authorized by the Watershed Protection and Flood Prevention Act as amended (16 U.S.C. 1001-1005, 1007-1008) and the Flood Control Act, as amended and supplemented (33 U.S.C. 701, 16 U.S.C. 1006a) and sections 403-405 of the Agricultural Credit Act of 1978 (16 U.S.C. 2203-2205), which relate to installation of individual watershed projects, flood prevention subwatershed projects, and emergency watershed protection. Activities include:

Watershed Operations Authorized by PL-534

The planning criteria, economic justifications, local sponsorship requirements, cost-sharing criteria, and other policies and procedures used in the Flood Prevention Program have been adjusted to generally parallel those of the Watershed Protection Program. The Department helps install watershed improvement measures to reduce flood, sediment, and erosion damages; further the conservation, development, utilization, and disposal of water, further the conservation and proper utilization of land; and to accomplish other measures incorporated in subwatershed work plans. The following table shows the status of subwatershed work plans:

Subwatersheds Status	1985	1986	1987
In Preconstruction...............	20	16	--
In construction..................	84	83	--
Completed construction...........	225	228	--
Feasible, but not started........	77	76	--
Total subwatersheds............	406	403	--

Emergency Watershed Protection Operations

Funding authority for FY 1987 is requested under Sections 403-405 of the Agricultural Credit Act of 1978. Funding is for such emergencies for runoff retardation and soil erosion prevention as may be needed to safeguard life and property from floods and the products of erosion on any watershed whenever flood, fire, drought, or any other natural element causes a sudden impairment of the watershed. The Department administers the program by providing technical assistance and arranging with local contractors to install most of the required measures.

Small Watershed Operations Authorized by PL-566

The Department provides technical and financial assistance to local organizations to install the watershed works of improvement for watershed protection, flood prevention, agricultural water management, recreation, and fish and wildlife development, and other authorized features specified in the work plans.

The following table shows the status of PL-566 watershed projects:

Status of Operational Projects	1985	1986	1987
Projects in pre-construction end-of-year..	121	116	--
Projects under construction, start of year	419	434	--
New construction starts...................	13	10	--
Less: Projects completed during year......	18	10	--
Projects continuing land treatment........	37	17	--
Projects completed, end of year...........	629	639	--
Projects not requiring funds..............	149	149	--
Total operational projects...............	1,350	1,355	--

OIG Reports:

#50649-1-Te In progress USDA'S need of better information to make policy decisions on flood prevention projects

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net decrease in appropriation of $16,632,200 for Watershed Operations authorized by PL-534 (on the basis of available funds, there is a decrease of $22,433,530) consisting of:

(a) An increase of $12,400,000 for lump sum payments, severance pay and other nonrecurring termination costs.

(b) A program decrease of $29,032,200 to terminate activities authorized by PL-534

Need for Change. Significant reductions are proposed in USDA conservation programs primarily for fiscal policy reasons in order to reduce mounting Federal deficits which threaten continued economic recovery. Project benefits are local in nature and, if of sufficient value, should be within the capability of State and project sponsors to fully fund.

Nature of Change. The proposed reductions would terminate new funding for watershed operations authorized by PL-534. No financial assistance would be provided for construction or long term contracts. Technical assistance and long term contract administration would be done under the basic conservation technical assistance program funded under the "Conservation Operations" account.

(2) A net decrease in appropriation of $36,879,000 for Emergency Watershed Operations (on the basis of available funds, there is a decrease of $41,701,491) consisting of:

(a) An increase of $1,106,000 for lump sum payments, severance pay and other nonrecurring termination costs.

(b) A program decrease of $37,985,000 for Emergency Watershed activities.

Need for Change. Significant reductions are proposed in USDA conservation programs primarily for fiscal policy reasons in order to reduce mounting Federal deficits which threaten continued economic recovery. Project benefits are local in nature and, if of sufficient value, should be within the capability of State and project sponsors to fully fund. The decrease consists of $5,000,000 alloted for this activity each year. The remaining $32,895,000 is for emergency work associated with flood events which occurred in the fall of 1985. This work will be completed in FY 1986 and these funds are no longer needed.

Nature of Change. The proposed reductions would terminate funding for Emergency Watershed Protection. Funds would be used to terminate activities and archive records.

(3) A net decrease in appropriation of $48,929,800 for Watershed Operations authorized by PL-566 (on the basis of available funds, there is a decrease of $54,597,042) consisting of:

(a) An increase of $54,272,000 for lump sum payments, severance pay and other nonrecurring termination costs.

(b) A program decrease of $103,201,800 to terminate activities authorized by PL-566.

Need for Change. Significant reductions are proposed in USDA conservation programs primarily for fiscal policy reasons in order to reduce mounting Federal deficits which threaten continued economic recovery.

Nature of Change. The proposed reductions would terminate new funding for watershed operations authorized by PL-566. No financial assistance would be provided for construction or long term contracts. Technical assistance and long term contract administration would be done under the basic conservation technical assistance program funded under the "Conservation Operations" account.

Distribution of Funds by Agency for Operating Flood Prevention Projects

	1985 Obligations	Brought Forward from 1985	1986 Appropriation (adjusted)	Estimated Obligations 1986	Budget Estimate 1987
SOIL CONSERVATION SERVICE					
Buffalo Creek, NY	600,760	6,000	0	6,000	--
Colorado (Middle), Texas..	948,623	--	632,000	632,000	851,000
Coosa, Georgia, Tennessee.	869,435	48,000	0	48,000	--
Little Sioux, Iowa........	2,358,557	55,500	1,974,500	2,030,000	1,225,000
Little Tallachatchie, MS..	1,467,557	--	811,000	811,000	544,000
Los Angeles, California...	--	--	--	--	--
Potomac, MD, PA, VA, and W. VA....................	4,526,429	84,937	1,551,063	1,636,000	1,448,000
Santa Ynez, California....	3,527,578	3,405,688	638,412	4,044,100	211,000
Trinity, Texas............	4,142,082	--	3,043,100	3,043,100	2,238,000
Washita, Oklahoma, Texas..	3,045,171	617	2,176,383	2,179,000	1,717,000
Yazoo, Mississippi........	5,609,186	2,200,568	15,534,742	17,796,130	4,166,000
Subtotal, SCS...........	27,095,378	5,801,330	26,413,200	32,225,330	12,400,000
FOREST SERVICE a/					
Little Sioux, Iowa........	--	--	--	--	--
Little Tallahatchie, MS...	62,000	--	--	--	--
Los Angeles, California...	1,287,128	--	1,321,000	1,321,000	--
Potomac, MD, PA, VA, and W. VA....................	274,000	--	249,000	249,000	--
Santa Ynez, California....	721,000	--	742,000	742,000	--
Trinity, Texas............	75,000	--	78,000	78,000	--
Washita, Oklahoma, Texas..	43,000	--	45,000	45,000	--
Yazoo, Mississippi........	350,000	--	10,000	10,000	--
Subtotal, Forest Service	2,812,128	--	2,445,000	2,445,000	--
FARMERS HOME ADMINISTRATION					
Loan Services.............	193,000	--	174,000	174,000	--
Proposed Rescission..........	--	--	6,360,000	6,360,000	--
DA and OGPA Transfer........	--	--	10,800	--	--
Total, all agencies.........	30,100,506	5,801,330	35,403,000	41,204,330	12,400,000

a/ Forest Service distribution of 1985 obligations are estimated.

PL-566 Project Activity and Obligations

The following table shows the status of Public Law 566 projects by stage of assistance and amounts obligated or estimated to be obligated.

	1985		1986		1987	
	Number	Dollars in Thousands	Number	Dollars in Thousands	Number	Dollars in Thousands
1. Projects approved for operation and estimated cost of completion:						
a. Uncompleted projects at beginning of year....	705	1,455,985	721	1,339,942	--	--
b. Projects approved during year............	34	46,239	35	95,000	--	--
Total........................	739	1,502,224	756	1,434,942	--	--
2. Status of projects and amounts obligated:						
a. Projects inactive end of year................	33	--	23	--	--	--
b. Deauthorized, cumulative.............	116	--	126	--	--	--
c. Projects receiving preconstruction land treatment and engineering services, end of year....................	121	10,514	136	4,000	--	--
d. Projects moved into construction during year....................	13	3,815	10	3,000	--	--
e. Prior year projects continuing construction and land treatment......	401	146,185	414	95,342	--	--
f. Projects with construction completed continuing land treatment......	37	1,618	17	760	--	--
g. Projects completed during year............	18	150	10	100	--	--
Subtotal.....................	739	162,282	736	103,202	--	--
3. Uncompleted projects (cumulative) at end of year:						
a. Obligations to date.....	721	1,966,867	726	2,069,969	--	--
b. Estimated cost of completion..............	--	1,339,942	--	1,331,640	--	--
4. Projects Completed (cumulative and total cost)......................	629	694,032	639	694,132	--	--
5. Total projects approved (cumulative and total cost)......................	1,350	4,000,841	1,365	4,095,741	--	--
TOTAL (cumulative obligations)	--	2,660,899	--	2,764,101	--	--

SOIL CONSERVATION SERVICE
GEOGRAPHICAL BRAKDOWN OF OBLIGATIONS AND STAFF YEARS
1985 AND ESTIMATED 1986 AND 1987
WATERSHED AND FLOOD PREVENTION OPERATIONS

	1985 AMOUNT	1985 STAFF YEARS	1986 AMOUNT	1986 STAFF YEARS	1987 AMOUNT	1987 STAFF YEARS
ALABAMA	5,908,986	42	2,385,000	35	1,005,000	3
ARIZONA	8,107,035	39	5,665,000	47	1,352,000	4
ARKANSAS	3,939,558	57	4,234,000	53	1,542,000	5
CALIFORNIA	10,063,683	53	7,617,000	67	1,952,000	6
COLORADO	1,883,689	11	1,066,000	10	288,000	1
CONNECTICUT	1,026,716	19	2,065,000	17	490,000	1
DELAWARE	1,021,123	20	975,000	17	493,000	1
FLORIDA	1,179,171	14	931,000	14	411,000	1
GEORGIA	3,281,849	42	2,365,000	36	1,040,000	3
HAWAII	2,070,760	10	2,434,000	14	410,000	1
IDAHO	1,361,289	7	709,000	8	240,000	1
ILLINOIS	8,779,066	30	7,928,000	31	908,000	3
INDIANA	3,233,116	29	1,663,000	26	749,000	2
IOWA	5,630,306	86	4,722,000	68	1,977,000	6
KANSAS	5,350,671	61	4,367,000	69	1,992,000	6
KENTUCKY	2,692,037	31	1,732,000	24	692,000	2
LOUISIANA	3,949,425	66	4,015,000	53	1,524,000	5
MAINE	409,063	9	811,000	11	305,000	1
MARYLAND	567,594	12	782,000	13	381,000	1
MASSACHUSETTS	1,079,748	16	1,725,000	18	520,000	2
MICHIGAN	485,176	7	1,238,000	11	306,000	1
MINNESOTA	1,767,535	24	3,059,000	34	997,000	3
MISSISSIPPI	23,758,939	187	17,799,063	204	5,915,000	18
MISSOURI	3,671,056	43	3,184,000	45	1,314,000	4
MONTANA	1,321,980	15	877,000	13	368,000	1
NEBRASKA	3,185,825	49	2,968,000	40	1,149,000	3
NEVADA	29,290	0	233,000	2	50,000	0
NEW HAMPSHIRE	467,413	10	358,000	9	246,000	1
NEW JERSEY	1,424,011	20	2,224,000	20	566,000	2
NEW MEXICO	1,703,248	40	1,899,000	35	1,018,000	3
NEW YORK	6,003,141	32	3,252,000	31	911,000	3
NORTH CAROLINA	2,708,558	42	2,814,000	43	1,255,000	4
NORTH DAKOTA	884,938	8	353,000	8	231,000	1
OHIO	4,034,359	46	5,374,000	40	1,753,000	3
OKLAHOMA	11,015,719	150	10,773,000	139	4,016,000	12
OREGON	780,778	14	1,797,000	19	547,000	2
PENNSYLVANIA	14,132,223	49	5,645,000	48	1,405,000	4
PUERTO RICO	307,391	5	1,119,000	12	361,000	1
RHODE ISLAND	0	0	81,000	1	41,000	0
SOUTH CAROLINA	1,473,530	26	1,408,000	20	592,000	2
SOUTH DAKOTA	439,159	7	518,000	9	270,000	1
TENNESSEE	3,717,500	52	4,509,000	45	1,318,000	4
TEXAS	18,965,312	243	16,756,000	250	7,195,000	21
UTAH	1,125,168	12	255,000	5	145,000	0
VERMONT	1,328,794	12	946,000	14	394,000	1
VIRGINIA	6,756,373	52	8,502,000	68	1,978,000	6
WASHINGTON	810,141	12	1,601,000	17	500,000	1
WEST VIRGINIA	6,739,701	50	9,622,000	76	2,206,000	7
WISCONSIN	1,309,881	16	626,000	11	326,000	1
WYOMING	332,180	4	149,000	3	84,000	0
CHESTER NTC	968,295	18	1,194,000	28	822,000	2
FORT WORTH NTC	2,144,956	42	2,400,000	57	1,652,000	5
LINCOLN NTC	1,161,987	24	1,337,000	32	920,000	3
PORTLAND NTC	1,104,185	20	1,337,000	32	920,000	3
NATIONAL HDQTRS	5,437,367	78	7,465,000	177	5,138,000	15
FmHA ALLOCATION	590,000	21	522,000	19	359,000	1
FS ALLOCATION	4,877,801	103	4,125,000	98	2,839,000	9
PROPOSED RESCISSION	--	--	60,401,000	--	--	--
TOTAL, WATERSHED AND FLOOD PREVENTION OPERATIONS	$208,498,795	2,187	$246,911,063	2,346	$67,778,000	203

WATERSHED AND FLOOD PREVENTION OPERATIONS

STATUS OF PROGRAM

Watershed operations authorized by Public Law 534. The Flood Control Act of 1944 authorizes the Secretary of Agriculture to install watershed improvement measures to reduce flood, sedimentation, and erosion damages; further the conservation, development, utilization, and disposal of water, and the conservation and proper utilization of land. Flood prevention work is authorized in the eleven watersheds designated in the Flood Control Act of December 22, 1944.

Emergency Watershed Protection. Emergency watershed protection assistance is provided to reduce hazards to life and property in watersheds damaged by severe natural events. An emergency is considered to exist when a watershed is suddenly impaired by flood, fire, drought or other natural causes which results in life and property being endangered by flooding, erosion, or sediment discharge.

The emergency area need not be declared a national disaster area to be eligible for technical and financial assistance. Emergency watershed protection is applicable to small scale localized disasters as well as disasters of national magnitude.

Funding is authorized under Sections 403-405 of the Agricultural Credit Act of 1978.

Watershed Projects authorized by Public Law 566. The Watershed Protection and Flood Prevention Act of 1954, provides for cooperation between the Federal government and the States and their political subdivisions in a program to prevent erosion, floodwater, and sediment damages; to further the conservation, development, utilization, and disposal of water; and to further the conservation and proper utilization of land in authorized watersheds.

The flood prevention (PL-534) and the watershed (PL-566) programs have similar objectives. The planning criteria, economic justifications, local sponsorship requirements, cost-sharing criteria, structural limitations, and other policies and procedures used in flood prevention projects generally parallel those used in watershed protection projects.

Current activities:

1. Technical and financial assistance for construction includes:

   a. Land treatment measures: Assurance that a program of proper land use and treatment will be carried out is a basic requirement for assistance in the development of flood prevention subwatersheds or watershed projects. The Department provides landowners and operators technical assistance to accelerate the planning and application of land treatment measures which help achieve project objectives. This accelerated assistance is in addition to that received under other conservation programs.

      When land treatment measures are installed to achieve justified offsite flood prevention benefits or when such measures provide small or long-deferred benefits to the landowner, the installation cost may be shared with Federal funds. The cost-share rate of this financial assistance may not exceed the rate of assistance for similar practices under other conservation programs of the Department. This work is accomplished through project agreements with local sponsoring organizations. The local sponsors arrange for and accomplish the work by contract or force account. Payments are made by the Federal government to the local sponsoring organizations as the land treatment measures are installed.

b. Structural measures: Floodwater retarding structures, stream channel work, grade stabilization and sediment control structures, water storage structures, and other structures are integral parts of providing watershed protection. Detailed construction plans, designs and specifications are prepared for these measures by the Department or by private engineers employed by the local sponsoring organization or the Department.

The Federal government provides all construction funds for structural measures for flood prevention and an equitable share of the cost of installing works of improvement for agricultural water management, fish and wildlife, or recreational development. The latter includes the cost of basic facilities for public health and safety, access to recreational areas, and use of the recreational development. Local organizations must pay all costs of works of improvement for other purposes. In addition, local organizations must acquire water rights and furnish land, easements, and rights-of-way for all structural measures. However, up to one-half the cost of land, easements, and rights-of-way allocated to public fish and wildlife and recreational developments may be paid with PL-534 or PL-566 funds.

c. Non-structural measures: Where practical, non-structural measures or a combination of structural and non-structural measures may be installed as part of the watershed works of improvement. Non-structural measures can consist of flood proofing buildings located in a flood plain, zoning or otherwise controlling certain flood plain areas to restrict further development, removal of buildings from the flood area, and other similar measures.

Financial assistance to local sponsoring organizations for installation of non-structural measures is provided in the same manner as for installation of structural measures. The local share for installation of non-structural measures can be up to 20 percent.

d. Installation of measures: In PL-534 subwatersheds, the Department usually does the contracting. In PL-566 watersheds, local organizations must administer construction contracts, unless they request SCS to do so. In PL-566 watersheds, funds for installation of planned structural measures on non-Federal lands are provided to local organizations under the terms and conditions set forth in project agreements. Federal agencies carry out the watershed construction program on Federal lands which they administer.

Engineering assistance is provided for flood prevention, agricultural water management, and for water resource development or improvement for public fish and wildlife and recreational purposes, either directly by the Federal government or by the local organizations with advances or reimbursement from the Federal government. The Department may also supply up to one-half the cost of engineering assistance required for the installation of basic facilities for public fish and wildlife and recreational development.

Advances may be made to local sponsoring organizations to provide for immediate acquisition of easements and rights-of-way. Also, advances may be made to provide up to 30 percent of the total estimated cost of a proposed impounding structure when such structures are to be used for additional storage of water to meet anticipated future demands for municipal and industrial uses. In each case, advances must be repaid with interest. Advances for preservation of structure sites must be repaid before construction begins.

Local organizations must operate and maintain the completed works of improvement on non-Federal lands.

2. Detailed subwatershed work plans are prepared for PL-534 flood prevention projects in cooperation with soil conservation districts and other local sponsoring organizations. These plans outline soil and water management problems in subwatersheds, what is proposed to be done to alleviate these problems, the estimated benefits and costs, cost-sharing, and operation and maintenance arrangements.

3. Program evaluation studies are carried out in selected watershed projects to assess effectiveness of structural and land treatment measures installed and assure safe and reasonable design.

4. Loans and loan services are provided to finance the local share of the costs of installing planned works of improvement. Repayment with interest is required within 50 years after the principal benefits of improvements first become available. Loans are financed from the Agricultural Credit Insurance Fund of the Farmers Home Administration.

5. Emergency measures: This authority permits installation of emergency measures for immediate protection of life or property from flooding, erosion, or sedimentation damage until long-range practices can become effective. Emergency work includes but is not limited to establishing quick vegetative cover on denuded land, the sloping of steep and eroding banks, opening dangerously restricted channels, repairing diversions and levees, and other emergency work. This work is done to the extent funds are available. Prompt action to alleviate hazardous watershed conditions is essential. Flooding or wind erosion can cause extensive damage to impaired watersheds left unprotected. The Soil Conservation Service administers the program, provides technical assistance, and arranges with local contractors to do the installation work. The Forest Service is responsible for installing measures on the national forest reserve.

Program Assignments

The Soil Conservation Service has general responsibility for administration of the Watershed Protection and Flood Prevention Act and the work authorized under the Flood Control Act. This includes responsibility for the installation of land treatment measures and structural works of improvement in authorized watersheds on non-Federal land and on Federal lands by arrangement with the administering agency.

The Forest Service is responsible for installing planned land treatment measures and certain structural works on national forests and other lands administered by the Forest Service in authorized projects. It is also responsible, in cooperation with and through State and local agencies, for the installation of planned forestry measures on forest lands within projects.

The Forest Service does emergency work on national forest reserve lands and on adjacent land which they administer under formal agreement.

Farmers Home Administration has responsibility for administration of Sections 4 and 8 of the Act as they relate to loans and advances to local organizations.

The Economic Research Service makes special economic analyses of watershed or subwatershed projects on a reimbursable basis.

The Agricultural Research Service carries out trap efficiency studies to determine water and sediment outflow from reservoirs for use in designing floodwater retarding structures.

The Department of Interior's Bureau of Land Management and Bureau of Indian Affairs participate in the installation of works of improvement on lands under their jurisdiction.

The following table shows the appropriated funds obligated for PL-534 watershed operations, emergency operations, and PL-566 small watersheds in FY 1985.

	PL-534 Operations	Emergency Operations	PL-566 Small Watersheds	Total
Direct Funds:				
Soil Conservation Service	$27,095,378	$14,731,647	$161,203,969	$203,030,994
Forest Service	2,812,128	1,384,202	681,471	4,877,801
Farmers Home Admin.	193,000		397,000	590,000
Total	$30,100,506	$16,115,849	$162,282,440	$208,498,795
Reimbursable Funds:				
Soil Conservation Service	593,203	1,432,418	2,688,766	4,714,387
Total Obligations	$30,693,709	$17,548,267	$164,971,206	$213,213,182

Watershed Operations Authorized by PL-534 (Flood Prevention Operations)

Because the authorized flood prevention projects include relatively large areas, work plans are developed on a subwatershed basis. As of September 30, 1985, the total planning job was about 82 percent completed, with 331 work plans completed that include 21,694,547 acres. The following table summarizes the status of subwatershed planning by authorized project:

Flood Prevention Projects	Total Authorized Area	Subwatershed and other areas with planning potential		Subwatershed and Other work plans prepared to 9/30/85	
	Acres	No.	Acres	No.	Acres
Buffalo Creek, NY a/...	279,680	3	279,680	3	279,680
Colorado (Middle), TX..	4,613,120	17	4,357,000	17	3,725,896
Coosa, GA a/...........	1,339,400	16	1,339,400	16	1,174,650
Little Sioux, IA.......	1,740,800	124	377,574	95	301,296
Little Tallahatchie, MS	963,977	18	562,876 b/	18	562,876
Los Angeles, CA........	536,960	12	301,731 c/	12	301,731
Potomac, W. VA & VA....	4,205,400	22	1,989,234	18	1,394,308
Santa Ynez, CA.........	576,000	5	368,550 d/	5	368,550
Trinity, TX............	8,424,260	34	6,958,193	31	5,830,660
Washita, TX & OK.......	5,095,040	61	5,095,040	57	4,691,072
Yazoo, MS..............	7,661,278	94	7,240,928	59	3,063,828
TOTAL..................	35,435,915	406	28,870,206	331	21,694,547

a/ The Buffalo Creek Watershed was completed and closed in 1964. The Coosa Watershed was completed and closed in 1981.

b/ Excludes 96,501 acres of Sardis Reservoir area, and 304,000 acres in minor watersheds needing only land treatment measures.

c/ Includes national forest and other lands, for which the Forest Service has been assigned program responsibility.

d/ Excludes 195,818 acres of reservoir area.

The estimated Federal cost for each watershed and total Federal obligations through FY 1984 are:

Flood Prevention Project	Estimated Total Federal Cost	Total Obligations a/ (Cumulative) 9/30/85
Buffalo Creek Watershed, New York (Complete)........................	4,615,182	5,215,942
Middle Colorado River Watershed, TX.	53,642,842	48,143,907
Coosa River Watershed, Georgia and Tennessee (Complete).............	16,386,287	17,225,722
Little Sioux River Watershed, Iowa..	117,100,085	45,026,523
Little Tallahatchie River Watershed, Mississippi......................	88,725,813	44,338,429
Los Angeles River Watershed, CA.....	60,751,256	51,155,055
Potomac River Watershed, Maryland, Pennsylvania, Virginia, W.VA......	115,891,371	72,285,498
Santa Ynez River Watershed, CA......	28,948,769	32,005,343
Trinity River Watershed, Texas......	196,053,336	146,039,938
Washita River Watershed, Oklahoma and Texas.........................	155,206,375	139,278,418
Yazoo River Watershed, Mississippi..	327,447,744	144,121,549
TOTAL............................	1,164,769,060	744,836,324

a/ Does not include Farmers Home Administration obligations of $193,000.

Small Watershed Operations Authorized by PL-566

Watershed plans involving an estimated Federal contribution in excess of $5,000,000 for construction, or construction of any single structure having a capacity in excess of 2,500 acre feet, require Congressional committee approval. Other plans are approved administratively. After approval, technical and financial assistance can be provided for installation of works of improvement specified in the plans.

Project sponsors are provided assistance in installing planned land treatment measures when plans are approved. Surveys and investigations are made and detailed designs, specifications, and engineering cost estimates are prepared for construction of structural measures. Areas where sponsors need to obtain land rights, easements, and rights-of-way are delineated. Technical assistance is also furnished to landowners and operators to accelerate planning and application of needed conservation on their individual units.

The project enters construction when the first project agreement for construction of works of improvement is signed. Under a project agreement, the sponsoring local organization agrees to construct a single or an interrelated group of structures. The government and the sponsoring local organization agree to share the construction costs as specified in the work plan. Engineering and other assistance are provided for preparation of contracts and inspection of construction.

When the local organization does the contracting, payments are made to them as the work progresses in accordance with the terms of the project agreement. When the local organization requests the SCS to do the contracting for works of improvement, the SCS makes payments directly to the contractor as the work progresses. Payments include amounts financed from Federal funds and from local organizations which fund their share of the construction costs.

In fiscal year 1985, 34 projects were approved for operation which brought to 1,350 the total number of projects approved as of September 30, 1985. Of the 739 projects in operation in 1985, 121 were receiving preconstruction land treatment and engineering services, and 414 were in construction at the end of the year. Eighteen projects were completed in 1985 which brought the total number completed to 629 as of September 30, 1985. Land treatment assistance was continued on 37 projects on which construction has been completed prior to October 1, 1985. One hundred and forty-seven of the approved projects did not require Federal funds during the fiscal year 1985 because of project inactivity; and 116 were deauthorized due to the unlikelihood of further project activity.

Obligations Related to PL-566 Watershed Projects

The following tabulation shows by State descriptive information concerning the extent of the program and rate of progress in obligating funds for the installation of works of improvement in PL-566 watersheds. There are 53 multi-State projects. Obligations and staff-years are distributed between the States as applicable.

State	Number Projects Approved 9/30/85	Total Federal Obligations FY 1985	FY 1985 Federal Staff-year Input	Total Watershed Area Acres	Total Estimated Cost	Total Federal Estimated Cost	% Federal Cost to Total Cost	Total Cumulative Federal Obligations 9/30/85	% Federal Cost Obligated as of 9/30/85
Alabama	39	5,882,357	44	2,213,502	143,205,906	87,865,809	61.4	59,255,809	67.4
Arizona	13	6,658,305	33	1,136,162	175,273,341	135,677,800	77.4	82,257,800	60.6
Arkansas	56	4,093,090	63	3,163,525	221,003,115	156,983,420	71.0	104,629,420	66.6
California	24	6,605,125	40	981,483	256,108,011	185,284,349	72.3	121,447,349	65.5
Colorado	19	1,941,226	11	1,176,961	47,605,745	35,321,142	74.2	30,660,142	86.8
Connecticut	10	1,049,696	20	142,226	75,966,973	40,925,572	53.9	30,847,572	75.4
Delaware	4	1,080,270	22	281,898	44,961,329	23,479,287	52.2	21,900,287	93.3
Florida	22	1,254,865	15	1,298,358	58,759,134	27,682,997	47.1	24,314,997	87.8
Georgia	64	2,595,332	40	3,935,273	148,074,972	88,675,023	59.9	75,353,023	85.0
Hawaii	9	2,225,452	11	480,642	74,891,984	47,590,378	63.5	24,520,378	51.5
Idaho	15	1,457,951	8	658,502	29,950,314	18,546,227	61.9	10,977,227	59.2
Illinois	25	9,335,491	33	1,222,850	214,190,030	141,603,859	66.1	87,446,859	61.8
Indiana	37	3,432,668	32	2,292,432	145,742,245	75,910,476	52.1	65,112,476	85.8
Iowa	49	3,569,891	57	1,001,921	144,199,649	121,066,265	84.0	71,319,265	58.9
Kansas	55	5,630,973	67	5,362,046	261,670,544	180,941,231	69.1	122,542,231	67.7
Kentucky	33	2,349,137	30	2,146,713	119,642,751	80,151,614	67.0	65,933,614	82.1
Louisiana	40	4,202,953	74	4,827,275	242,552,029	122,267,909	50.4	85,713,909	70.1
Maine	16	432,754	10	654,464	25,530,568	13,535,357	53.0	12,714,357	93.9
Maryland	19	600,467	13	448,698	38,126,766	19,985,793	52.4	17,577,793	88.0
Massachusetts	11	1,142,293	18	458,532	45,469,672	31,338,644	68.9	26,899,644	85.8
Michigan	21	515,924	8	994,320	39,746,252	18,483,618	46.5	15,530,618	84.0
Minnesota	18	1,879,561	27	1,499,319	66,858,455	44,656,956	66.8	23,106,956	51.7
Mississippi	53	10,256,443	80	3,946,112	285,128,921	204,528,821	71.7	100,124,821	49.0
Missouri	24	3,457,124	45	1,233,837	134,366,922	95,062,877	70.7	38,406,877	40.4
Montana	18	1,193,616	16	1,292,571	48,296,107	22,504,323	46.6	18,067,323	80.3
Nebraska	50	3,185,546	53	3,161,359	140,358,136	95,307,607	67.9	69,123,607	72.5
Nevada	5	31,366	0	388,142	6,506,718	2,747,616	42.2	2,747,616	100.0
New Hampshire	7	494,486	11	456,770	35,867,412	27,893,970	77.8	17,523,970	62.8

State	Number Projects Approved 9/30/85	Total Federal Obligations FY 1985	FY 1985 Federal Staff-year Input	Total Watershed Area Acres	Total Estimated Cost	Total Federal Estimated Cost	% Federal Cost to Total Cost	Total Cumulative Federal Obligations 9/30/85	% Federal Cost Obligated as of 9/30/85
New Jersey	15	1,100,756	20	389,347	56,863,316	38,510,149	67.7	32,236,213	83.7
New Mexico	28	1,839,489	44	1,681,677	186,943,663	151,482,080	81.0	66,750,080	44.1
New York	19	4,598,823	27	826,950	66,973,044	54,460,320	81.3	41,003,320	75.3
North Carolina	52	2,862,167	46	2,171,867	148,668,724	87,624,999	58.9	56,765,999	64.8
North Dakota	17	941,024	9	2,284,896	55,016,601	39,980,662	72.7	29,102,662	72.8
Ohio	18	4,051,531	52	1,452,166	150,796,508	112,711,587	74.7	64,859,587	57.5
Oklahoma	71	8,680,289	117	7,002,145	432,266,400	297,892,594	68.9	178,113,594	59.8
Oregon	18	843,131	15	1,139,166	103,093,996	44,133,629	42.9	26,603,629	60.2
Pennsylvania	26	14,900,759	56	1,300,207	162,640,554	114,638,624	70.5	75,938,624	66.2
Puerto Rico	3	325,196	6	252,002	75,301,557	8,632,547	11.5	5,865,547	67.9
South Carolina	45	1,359,076	28	2,275,738	91,171,811	50,685,776	55.6	40,424,776	79.8
South Dakota	15	466,989	8	758,801	18,811,183	10,541,030	56.0	10,521,030	99.8
Tennessee	37	3,761,984	57	1,545,902	140,159,746	112,320,604	80.1	67,849,604	60.4
Texas	91	14,790,239	165	9,336,564	490,141,101	358,151,650	73.1	271,856,650	75.9
Utah	13	438,337	10	1,313,317	48,929,378	31,600,539	64.6	29,941,539	94.8
Vermont	9	1,010,221	10	452,067	24,728,674	19,898,665	80.5	8,486,665	42.6
Virginia	32	4,640,296	44	1,901,277	109,567,202	71,019,082	64.8	41,024,082	57.8
Washington	19	821,894	13	441,989	124,377,956	56,924,827	45.8	27,315,827	48.0
West Virginia	25	5,587,649	34	887,080	131,108,993	92,478,236	70.5	69,745,236	75.4
Wisconsin	28	1,392,900	18	1,468,999	57,811,374	40,248,848	69.6	32,233,848	80.1
Wyoming	13	176,857	3	615,236	16,171,541	10,668,834	66.0	8,136,834	76.3
Total	1,350	161,221,969	1663	86,353,286	5,961,557,293	3,950,674,222	66.3	2,610,731,286	66.1

Multiple Purpose Projects

On October 1, 1985, 681 multipurpose projects had been approved for operation under the Public Law 566 program. This represents 50 percent of the 1,350 projects which were operational and indicates that the program continues to provide solutions to a broad range of local problems. In addition, the major purposes of the 1,350 projects are the same as the first and/or second priority goals of the President's National Conservation Program.

Agricultural Water Management. Three hundred and eighty-seven watershed projects include structural measures for agricultural water management in addition to flood prevention features. Of these, 299 include drainage improvements on existing cropland and 88 include irrigation.

Recreation. Two hundred and sixty-nine small watershed projects approved as of September 30, 1985 include developments to create or improve facilities for the enjoyment of outdoor recreation in addition to flood prevention and watershed protection. Local sponsoring organizations are responsible for operating and maintaining the reservoirs and recreation areas.

Municipal Water.

As of September 30, 1985, local sponsors of 164 watershed projects had included municipal water supply features in their watershed plans in addition to flood prevention and watershed protection.

Acceleration of Soil Surveys and Conservation Planning in Watershed and Flood Prevention Projects

Watershed and Flood Prevention Operations funds are used to accelerate soil surveys, conservation planning, and installation of conservation land treatment measures in PL-534 subwatersheds and PL-566 watershed projects as specified in project plans. This acceleration of technical assistance is provided to help meet project objectives within the agreed upon installation period.

In FY 1985, 256,921 acres of soil surveys and 592,829 acres of conservation and ranch plans were prepared with Watershed and Flood Prevention Operations funds.

Loan Programs

Under Public Law 83-566, as amended and Public Law 78-534, loans are made to local organizations for financing the local share of the cost of installing, repairing, or improving works of improvements and water storage facilities, purchasing sites or rights-of-way and for related costs in approved watershed works of improvement and flood prevention projects. The Farmers Home Administration has been assigned responsibility for making these loans to sponsors of such projects approved for operations. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan for works of improvement. Public Law 94-419, approved August 30, 1972, provided for making such loans on an insured basis under the Agricultural Credit Insurance Fund.

These loans are repayable in not more than 50 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. The rate of the 1986 fiscal year is 10.070 percent. For a single plan for works of improvement, the amount of the loan may not exceed $10 million.

Applications for loans received by the Farmers Home Administration have varied greatly in amount. Presently, there are 11 applications pending. Most applications have included requests for funds to purchase loan easements or rights-of-way and pay legal fees and organization costs. The larger load requests have also included funds to pay the local organization's share of the installation costs of drainage channels, municipal water storage, irrigation works, recreational facilities, natural beauty, and other multiple-purpose improvements.

In FY 1985, there were no applications on hand at the beginning of the year, 9 were received during the year and 3 loans were obligated.

Improvements Installed in Watershed and Flood Prevention Projects

The following table contains a listing of the technical services provided, lands improved and erosion reduced, and land treatment measures installed within project areas by the Soil Conservation Service and the Forest Service with funds from the Watershed and Flood Prevention Operations Program and from other programs in 1985:

		Programs		
Agency	Units	Watershed and Flood Prevention Operations	Other	Total
SOIL CONSERVATION SERVICE				
Technical Services:				
Individuals and groups provided one or more technical services............	Number	31,103	49,372	80,475
State, local or other federal units of government provided one or more technical services..................	Number	647	1,007	1,654
Individuals and groups of individuals who installed one or more land treatment measures to lands under their control................	Number	22,461	21,111	43,572
Conservation planning achieved with land users receiving technical services...........	Acres	592,829	1,408,918	2,001,747
Lands Improved:				
Estimated land improved and tons of reduced erosion on lands within watershed project areas:				
Cropland..................	Acres	107,000	1,470,000	1,577,000
	Tons	632,989	8,707,297	9,340,286
Pasture and Hayland........	Acres	17,000	308,000	325,000
	Tons	86,619	1,611,584	1,698,203
Range and Nature Pasture...	Acres	112,000	1,970,000	2,082,000
	Tons	322,000	5,609,651	5,931,651
Woodland..................	Acres	4,000	58,000	62,000
	Tons	24,000	366,077	390,077
All Other..................	Acres	13,000	27,000	40,000
	Tons	117,000	243,000	360,000
Total....................	Acres	253,000	3,833,000	4,085,000
	Tons	1,182,608	16,537,609	17,720,217

Agency	Units	Programs		Total
		Watershed and Flood Prevention Operations	Other	
FOREST SERVICE				
Land Treatment Measures:				
Gully Control & Stabilization	Miles	1		1
Grade Stabilization Structures	Number	0		0
Critical Area Stabilization by Tree Planting & Other Measures....................	Acres	2,022		2,022
Forest Road & Roadbank:				
Stabilization...............	Miles	40.1		40.1
Acres Treated...............	Acres	461.5		461.5
Fire, Roads, Trails, Firebreaks & Fuelbreaks.....	Miles	83		83
Fire Control Water Developments................	Number	0		0
Intensified Fire Protection..	Acres	313,365		313,365
Heliports & Helospots	Number	0		0
Mobile Fire Equipment........	Number	2		2
Other Fire Control Improvements................	Number	3		3
Radio Installations..........	Number	5		5
Forest Watershed Management:				
Plans Prepared..............	Number	1,159		1,159
Area Included...............	Acres	63,067		63,067
Proper Harvest Cutting.......	Acres	7,214		7,214
Range & Grass Seeding........	Acres	86		86
Tree Planting & Seeding......	Acres	7,883		7,883
Revegetation, Surface Mined Areas.......................	Acres	416		416
Woodland Thinning & Release..	Acres	4,392		4,392
Woodland Grazing Control.....	Acres	1,727		1,727
Woodland Owners Assisted.....	Number	2,425		2,425
Recreation Area Development..	Acres	966		966
Fire Hazard Reduction........	Acres	5		5
Wildlife Habitat Development.	Acres	3,745		3,745
Wildlife Ponds..............	Number	2		2

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

[Great Plains Conservation Program]

1 [For necessary expenses to carry into effect a program of conservation in the Great Plains area, pursuant to section 16(b) of the Soil Conservation and Domestic Allotment Act, as added by the Act of August 7, 1956, as amended (16 U.S.C. 590p(b)), $21,531,000 to remain available until expended.]

This Change deletes the language for this program as it is proposed to be terminated before the close of fiscal year 1986.

Great Plains Conservation Program

Appropriation Act, 1986		$21,531,000
Budget Estimate, 1987		--
Decrease in Appropriation		-21,531,000
Adjustments in 1986:		
Appropriations Act, 1986	$21,531,000	
Less Pro-Rata Reduction, P.L. 99-190	-129,000	
Net Appropriations	21,402,000	
Transfer to Departmental Administration and Office of Governmental and Public Affairs for Reimbursable Activities a/	-8,000	
Adjusted base for 1986		$21,394,000
Budget Estimate, 1987		--
Decrease from adjusted 1986		-$21,394,000

a/ A transfer of $7,000 to Departmental Administration (DA) and $1,000 to the Office of Governmental and Public Affairs (OGPA) for activities previously financed on a reimbursable basis as a direct appropriation in FY 1987.

SUMMARY OF INCREASES AND DECREASES
(on basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Great Plains Conservation Program:			
1. Cost-sharing assistance	$4,648,000	-$4,648,000	--
2. Cost-share program and contract administration	3,248,000	-3,248,000	--
3. Technical assistance	6,892,000	-6,892,000	--
Proposed rescission	6,606,000	-6,606,000	--
TOTAL AVAILABLE	$21,394,000a/	-$21,394,000	--

a/ Of this amount $6,606,000 is being proposed for rescission to terminate the Great Plains Conservation Program prior to FY 1987 in an effort to reduce Federal outlays.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985 Amount	1985 Staff Years	1986 estimated Amount	1986 estimated Staff Years	Decrease	1987 estimated Amount	1987 estimated Staff Years
Great Plains Conservation Program:							
1. Cost-sharing assistance	$12,476,000	--	$4,648,000	--	-$4,648,000	--	--
2. Cost-share program and contract administration	2,898,000	80	3,248,000	55	-3,248,000	--	--
3. Technical assistance	6,157,000	169	6,892,000	118	-6,892,000	--	--
Proposed rescission	--	--	6,606,000	76	-6,606,000	--	--
Total available or est	21,531,000	249	21,394,000a/	249	-21,394,000(1)	--	--
DA and OGPA Transfer	--	--	+8,000	--			
Total appropriation	$21,531,000	249	$21,402,000	249			

a/ A request has been submitted to Congress to rescind $6,606,000.

PROJECT STATEMENT
(On basis of available funds)

Project	1985 Amount	1985 Staff Years	1986 estimated Amount	1986 estimated Staff Years	Decrease	1987 estimated Amount	1987 estimated Staff Years
Direct obligations:							
Great Plains Conservation Program:							
1. Cost-sharing assistance.........	$12,475,593	--	$4,647,983	--	-$4,647,983	--	--
2. Cost-share program and contract administration.....	2,894,889	80	3,260,000	55	-3,260,000	--	--
3. Technical assistance.........	6,151,639	169	6,919,000	118	-6,919,000	--	--
Proposed rescission...	--	--	6,606,000	76	-6,606,000	--	--
Total direct oblig....	21,522,121	249	21,432,983	249	-21,432,983	--	--
Unobligated balance brought forward......	(-30,104)	--	(-38,983)	--	(+38,983)	--	--
Unobligated balance carried forward......	(+38,983)	--	--	--	--	--	--
Adjusted appropriation	(21,531,000)	(249)	(21,394,000)	(249)	(-21,394,000)	--	--
Reimbursable oblig....	46,459	--	60,000	--	-60,000	--	--
Obligational authority	$21,568,580	249	$21,492,983	249	-$21,492,983	--	--

SOURCES OF REIMBURSEMENTS

Project	1985 Actual	1986 (estimate)	Decrease	1987 (estimate)
Federal Sources....................	$19,843	$26,000	-$26,000	--
Other Non-Federal Sources.........	26,616	34,000	-34,000	--
Total reimbursements..............	$46,459	$60,000	-$60,000	--

OUTLAYS

Great Plains Conservation Program:				
1. Cost-sharing assistance........	$12,086,392	$11,565,000	-$2,248,000	$9,317,000
2. Cost-share program and contract administration................	2,837,760	3,185,000	-3,185,000	--
3. Technical assistance...........	6,030,240	6,760,000	-5,783,000	977,000
Proposed rescission..............	--	--	+1,560,000	1,560,000
Total Outlays.....................	$20,954,392	$21,510,000	-$9,656,000	$11,854,000

EXPLANATION OF PROGRAM

Authorization: The appropriation for "Great Plains Conservation Program" funds Soil Conservation Service activities authorized under Section 16(b) of the Soil Conservation and Domestic Allotment Act (PL 74-46) as amended by PL 84-1021. PL 96-263 amended PL 84-1021 to extend the Great Plains cost-share contracting authority to September 30, 1991.

Authorization limits: Total cumulative appropriations of $600,000,000 are authorized for cost-sharing. Cost-sharing payment in any one fiscal year may not exceed $50,000,000. Through September 30, 1985, $297,800,321 have been paid out in cost-shares. The most paid out in cost-share in any one year was $15,751,177 in FY 1981.

This program is in addition to other USDA soil and water conservation programs in the counties designated for participation, and is coordinated with programs and objectives of locally managed conservation districts, State agencies, and community groups.

	Acres (in 000's)
Potential Workload:	
Estimated acreage in the 518 designated counties that could come under Great Plains contracts.............................	198,000
Current Activity:	
Land under active contracts as of September 30, 1985............	14,734

The purpose of the program is to assist farmers and ranchers in planning and applying resource management systems on their farms and ranches to prevent or reduce the effects of the climatic hazards of the area. Benefits to be achieved are protection and improvement of soil, water, plant, and wildlife resources through reduction of erosion and sedimentation, abatement of agriculture-related pollution, and, as a secondary benefit, a stabilizing impact on the local economy. Activities include:

-- Cost-sharing assistance - Payments are made to program participants for a share of the cost of installing eligible conservation practices scheduled in contracts, including, among others, terraces, permanent vegetative cover, re-establishing grasslands and pipelines.

-- Cost-share programing and contract administration - Soil Conservation Service provides assistance in developing contracts, which include schedules of conservation practices to be applied, and administers contracts.

-- Technical assistance - Soil Conservation Service provides assistance to help farmers and ranchers plan, install, and maintain scheduled conservation practices according to standards and specifications.

Program Results		1985	Est. 1986a/	Est. 1987
Active Contracts - beginning of year.............		5,987	5,751	5,631
New Contracts signed..............................	Annual	943	280	--
	Cumulative	62,538	62,818	62,818
Contracts Completed and Terminated...............	Annual	1,179	400	--
	Cumulative	55,709	56,109	56,109
Active Contracts - end of year...................		5,751	5,631	5,631
Applications awaiting contracts beginning of year		694	1,521	--
Applications received............................	Annual	1,870	500	--
Applications serviced............................	Annual	-943	-280	--
Applications cancelled...........................	Annual	-100	-1,741	--
Applications on hand end of year.................		1,521	--	--
Acres in new contracts (1,000)...................	Annual	2,145	637	--
Acres in applications on hand	(1,000's)	3,460	--	--
Acres of land improved through services (1,000's)	Annual	5,057	1,600	--
Number of participants serviced..................	Annual	6,930	2,000	--

a/ Data reflects impact of $6,606,000 rescission and termination of Great Plains Program.

JUSTIFICATION OF INCREASES AND DECREASES

[illegible]) A rescission of $6,606,000 has been submitted which provides for the termination of the Great Plains Conservation Program by the end of FY 1986.

SOIL CONSERVATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1985 AND ESTIMATED 1986 AND 1987
GREAT PLAINS CONSERVATION PROGRAM

	1985 AMOUNT	1985 STAFF YEARS	1986 AMOUNT	1986 STAFF YEARS	1987 AMOUNT	1987 STAFF YEARS
COLORADO	$1,926,071	19	$1,211,000	13	$0	0
KANSAS	1,977,334	25	1,616,000	17	0	0
MONTANA	1,680,514	19	1,212,000	13	0	0
NEBRASKA	1,975,898	23	1,318,000	16	0	0
NEW MEXICO	1,153,026	13	786,000	9	0	0
NORTH DAKOTA	1,530,998	20	1,024,000	14	0	0
OKLAHOMA	1,844,745	20	1,165,000	14	0	0
SOUTH DAKOTA	1,965,269	22	1,324,000	15	0	0
TEXAS	5,748,500	70	3,957,000	49	0	0
WYOMING	1,161,092	12	585,000	8	0	0
FORT WORTH NTC	29,520	1	33,000	1	0	0
LINCOLN NTC	46,000	1	52,000	1	0	0
PORTLAND NTC	30,227	1	34,000	1	0	0
NATIONAL HDQTRS	452,927	3	509,983	2	0	0
PROPOSED RESCISSION	0	0	6,606,000	76	0	0
TOTAL, GREAT PLAINS CONSERVATION PROGRAM	$21,522,121	249	$21,432,983	249	$0	0

GREAT PLAINS CONSERVATION PROGRAM

STATUS OF PROGRAM

CURRENT ACTIVITIES: The Great Plains Conservation Program, authorized by Public Law 96-263, provides assistance, under long-term contracts, to land users in designated counties of the 10 Great Plains States. It is designed to provide needed protection and improvement of soil, water, plant, and wildlife resources of the unique Plains area, which is plagued with recurring drought and wind erosion problems. Selection of suitable land uses and installation of complete conservation treatment and management systems on farms and ranches in the area are made through reduction of wind and water erosion, abatement of agriculture related pollution and water conservation measures.

PROGRAM ASSIGNMENTS

The Soil Conservation Service has responsibility for administration of the Great Plains Conservation Program. State and county program committees participate in program development and coordination of activities. The Agricultural Stabilization and Conservation Service (ASCS) certifies that cost-share payments are not duplicates of payments made under programs administered by ASCS and searches the claim control record to determine whether amounts due to the Federal Government should be setoff against cost-share payments.

PROGRAM, ADMINISTRATIVE, AND TECHNICAL ASSISTANCE

Technical services of soil and range conservationists, engineers, agronomists and other agricultural specialists are provided to help install sound conservation programs adapted to each farm or ranch. These services include:

(a) Cost-share programming and contract administration. This includes: technical assistance for processing applications for program participation; development of average costs; determining cost-share obligations; preparing contracts; and contract administration to ensure that contract provisions are met. Contracts are based on conservation plans of operations which outline resource management systems by land use.

(b) Technical assistance to help install planned conservation practices. Farmers and ranchers contract to complete their plan of conservation operations as scheduled. Assistance in practice installation is provided when needed for site selection, topographic surveys, detailed designs, practice layout, and completion. Technical assistance is also furnished to help cooperators perform required noncost-shared management features such as planned grazing systems, irrigation water management, and crop residue management on cultivated land.

SCS installation services are committed for contracted practices during the duration of the contract. Technical assistance is made available to help install practices scheduled for installation by local staffs at each field office. In 1985, 249 staff-years were used for technical services.

COST-SHARING ASSISTANCE

Cost-share payments normally vary from 25 to 70 percent of the costs incurred by program participants for installation of eligible conservation practices. Financial assistance enables cooperators to install conservation practices in the proper sequence as scheduled in their contracts.

Determination of a county's eligibility for participation in the program is based on conservation needs and interests of local people. The physical factors for consideration include susceptibility of the land to serious soil erosion, and the need for changes in land use, cropping systems, and grassland management. The responsibility for determining local interest in the program rests with the State Program Committee.

There are 518 counties designated for participation in the Great Plains Conservation Program. At the end of FY 1985, the number of designated counties, status of active contracts, cost-sharing payments, the distribution of actual obligations and staff-years by State were:

State	Designated Counties	Active Contracts 9/30/85 Number	Active Contracts 9/30/85 Acres	FY 1985 Actual Cost-sharing Payments	Total Direct Obligations	Staff Yrs.
Colorado	38	445	1,424,000	1,236,132	$1,926,071	19
Kansas	62	612	455,896	1,233,682	1,977,334	25
Montana	40	372	2,384,989	754,234	1,680,514	19
Nebraska	61	576	916,209	1,433,400	1,975,898	23
New Mexico	19	191	2,345,787	637,811	1,153,026	13
North Dakota	38	559	979,969	883,923	1,530,998	20
Oklahoma	43	763	485,823	1,158,515	1,844,745	20
South Dakota	51	793	2,294,518	941,542	1,965,269	22
Texas	147	1,226	2,209,595	3,333,927	5,748,500	70
Wyoming	19	214	1,237,351	609,222	1,161,092	12
National Technical Centers 1/	--	--	--	--	105,747	3
National Hdqtrs.	--	--	--	--	452,927	3
Total GPCP	518	5,751	14,734,137	$12,222,388	$21,522,121	249

1/ Includes management, program, and technical guidance provided through National Technical Centers as follows:

Lincoln, Nebraska	46,000
Fort Worth, Texas	29,520
Portland, Oregon	30,227

Farms and ranches under contract in FY 1985 average 2,562 acres. Through September 30, 1985, cumulative amounts of $375,279,173 and $317,755,232 for cost-share contracts have been obligated and outlaid, respectively, under the Great Plains Conservation Program. A total of 131,354,512 acres have been included in cost-share contracts.

CONSERVATION ACCOMPLISHMENTS

Practices listed in the SCS National Handbook of Conservation Practices and approved by the State Conservationist are eligible for cost-sharing under the Great Plains Conservation Program. The amount of cost-shared practices applied and cost-shares paid in FY 1985 and cumulative at the end of FY 1985 were:

Great Plains Practices	Unit	FY 1985		Cumulative to 9/30/85	
		Extent Applied	Cost-shares Paid	Extent Applied	Cost-shares Paid
Initial Application					
Establish permanent vegetative cover	Acres	96,920	$1,108,180	3,282,296	$34,645,900
Establish field/wind strip-cropping	Acres	11,405	62,597	1,184,946	2,010,483
Establish contour strip-cropping	Acres	1,215	14,523	187,479	967,125
Establish contour farming	Acres	1	73	17,532	7,391
Re-establishing grass lands	Acres	74,869	786,565	2,656,388	35,427,834
Establishment of trees and shrubs	Acres	1,883	163,479	76,032	4,694,772
Establish permanent waterways	Acres	25,991	347,619	151,967	9,334,271
Terraces (ft in 000's)	Feet	10,964	2,621,507	572,586	42,537,356
Diversions (ft in 000's)	Feet	456	199,919	34,967	4,938,790
Grassland mechanical treatment	Acres	5,497	29,968	430,164	662,532
Dams for erosion control detention	Number	219	213,246	15,763	8,197,514
Grade stabilization structures	Number	105	203,586	8,749	3,181,999
Streambank shore protection, etc	Feet	--	--	332,549	387,938
Diversion dams and spreader ditches	Acres	1,181	72,362	223,402	4,855,947
Reorganizing irrigation systems	Number	22,202	526,642	50,181	12,566,087
Irrigation land leveling	Acres	1,838	89,354	263,157	8,281,893
Dams, pits, or ponds for irrigation	Number	7	12,769	898	994,859
Lining irrigation ditches, canals, etc	Feet	16,872	47,423	2,113,671	2,149,238
Wells	Number	295	471,028	28,839	18,013,136
Developing springs and seeps	Number	73	45,956	4,185	1,128,424
Constructing/enlarging dams, pits or ponds	Number	19,834	387,740	142,053	20,015,830
Pipelines (ft in 000's)	Feet	2,750	1,330,677	87,750	23,988,051
Controlling competitive shrubs	Acres	6,503	39,114	6,077,894	17,948,543
Control competitive shrubs-Chem	Acres	51,182	306,027	332,902	1,954,602
Control competitive shrubs-Mech	Acres	27,175	370,194	226,104	2,436,363
Fences (ft in 000's)	Feet	4,784	1,050,065	134,793	15,881,150
Critical area treatment	Acres	2,168	296,788	41,519	3,981,958
Irrigation tailwater recovery system	Number	1,942	63,534	2,358	532,957
Disposal lagoons	Number	2	3,406	148	266,679
Recreation land grading and shaping	Acres	--	--	173	1,378
Water storage facilities	Number	1,107	693,490	19,508	8,587,058
Catchment basins	Number	--	--	5	24,552
Shallow water areas	Number	2	2,759	125	159,101
Holding ponds and tanks	Number	6	9,385	285	820,599
Wheatgrass barriers (ft in 000's)	Feet	193	2,123	2,126	26,889

Great Plains Practices	Unit	FY 1985 Extent Applied	FY 1985 Cost-shares Paid	Cumulative to 9/30/85 Extent Applied	Cumulative to 9/30/85 Cost-shares Paid
Stock trails and walkways	Feet	10,733	4,293	63,224	31,191
Contour farming with terrace/divers	Acres	--	--	69	330
Conservation tillage system	Acres	17,515	236,800	27,536	355,911
Reapplication					
Establish permanent vegetative cover	Acres	6,623	205,857	259,521	3,342,691
Establish field/wind stripcropping	Acres	2	15	2,317	11,255
Contour stripcropping	Acres	--	--	1,836	16,153
Contour farming	Acres	--	--	--	2,189
Re-establishing grasslands	Acres	4,136	137,336	149,586	2,501,593
Establishment of trees or shrubs	Acres	45	11,345	5,177	348,470
Establish permanent waterways	Acres	352	19,013	7,036	370,037
Terraces (ft in 000's)	Feet	38	9,366	7,833	401,950
Diversions	Feet	--	--	109,046	11,843
Grassland mechanical treatment	Acres	--	--	220	220
Dams for erosion control detention	Number	--	--	69	60,839
Grade stabilization structures	Number	--	--	71	90,818
Streambank protection, etc	Feet	--	--	1,961	16,559
Diversion dams and spreader ditches	Acres	36	2,102	4,279	59,303
Reorganizing irrigation systems	Number	--	--	6	7,140
Irrigation land leveling	Acres	--	--	2,486	13,221
Dams, pits, or ponds for irrigation	Number	--	--	7	3,969
Lining irrigation ditches, canals, etc	Feet	--	--	217	163
Wells	Number	--	--	107	63,079
Developing springs and seeps	Number	--	--	9	4,123
Constructing/enlarging dams, pits or ponds	Number	1	388	104	47,340
Pipelines	Feet	16,894	6,791	136,708	41,970
Controlling competitive shrubs	Acres	126	690	80,849	174,565
Control competitive shrubs-Chem	Acres	392	3,034	7,382	43,450
Control competitive shrubs-Mech	Acres	--	--	1,507	21,814
Fences	Feet	--	--	9,052	986
Critical area treatment	Acres	201	13,260	5,832	191,597
Irrigation tailwater recovery system	Number	--	--	1	650
Water storage facilities	Number	--	--	3	3,152
Holding ponds and tanks	Number	--	--	1	1,317
Wheatgrass barrier	Feet	--		107,184	286
TOTAL		XXX	$12,222,388	XXX	$299,849,374

WIND EROSION CONDITIONS IN THE GREAT PLAINS
For the 1984-1985 Wind Erosion Season

Wind erosion reports submitted from 541 counties in which wind erosion was prevalent during the 1984-1985 season, showed a significant increase from the previous season.

The major factor contributing to wind erosion this season was lack of cover on the land. There is still a tendency by farmers to clean till the land. The acres in condition to blow are the conventionally tilled acreages where residue and moisture amounts are low.

The 541 counties reported 8,500,700 acres damaged through the end of May. Of the total land reported damaged 95 percent (8,100,300 acres) was cropland, 4 percent (305,300 acres) rangeland, and 1 percent (95,100 acres) other land.

Crops or cover were destroyed on 689,300 acres of land not damaged.

Emergency tillage to prevent land damage was reported in every state. A total of 2,892,000 acres was so treated. Texas reported 78 percent (2,269,100 acres) of the total emergency tillage.

Land reported in condition to blow was 15,511,160 acres. Of all land reported in condition to blow, 65 percent was in the Northern Great Plains States and 35 percent was in the Southern Great Plains States.

SOIL CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Resource Conservation and Development

> For necessary expenses [in planning and carrying out projects for resource conservation and development and for sound land use pursuant to the provisions of section 32(e) of title III of the Bankhead-Jones Farm Tenant Act, as amended (7 U.S.C. 1010-1011); 76 Stat. 607), and the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-f), and the provisions of the Agriculture and Food Act of 1981 (16 U.S.C. 3451-3461), $26,320,000: Provided, That $2,000,000 in loans may be insured, or made to be sold and insured, under the Agricultural Credit Insurance Fund of the Farmers Home Administration (86 Stat. 663): Provided further, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $50,000 shall be available for employment under 5 U.S.C. 3109.] to closeout activities previously funded under this account, $11,400,000.

This change deletes language to carry out the Resource Conservation and Development Program beyond FY 1987. Program operations would be terminated as quickly as possible, and the Farmers Home Administration would no longer be authorized to make loans associated with this activity.

Resource Conservation and Development

Appropriation Act, 1986		$26,320,000
Budget Estimate, 1987		11,400,000
Decrease in Appropriation		-14,920,000
Adjustments in 1986:		
Appropriations Act, 1986	$26,320,000	
Less Pro-Rata Reduction, P.L. 99-190	-158,000	
Net Appropriations	26,162,000	
Transfer to Departmental Administration and Office of Governmental and Public Affairs for Reimbursable Activities a/	-17,000	
Adjusted base for 1986		$26,145,000
Budget Estimate, 1987		11,400,000
Decrease from adjusted 1986		-14,745,000

a/ A transfer of $14,000 to Departmental Administration and $3,000 to the Office of Governmental and Public Affairs for activities previously financed on a reimbursable basis as a direct appropriation in FY 1987.

SUMMARY OF INCREASES AND DECREASES
(on basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Resource Conservation and Development:			
1. Technical assistance	$17,679,000	-$6,279,000	$11,400,000
2. Financial assistance	8,347,000	-8,347,000	--
3. Loan services	119,000	-119,000	--
TOTAL AVAILABLE	$26,145,000	-$14,745,000	$11,400,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1985 Amount	1985 Staff Years	1986 estimated Amount	1986 estimated Staff Years	Decrease	1987 estimated Amount	1987 estimated Staff Years
Resource Conservation and Development:							
1. Technical assistance	$17,679,000	403	$17,679,000	403	-$6,279,000	$11,400,000	41
2. Financial assistance	8,500,000	--	8,347,000	--	-8,347,000	--	--
3. Loan services	141,000	5	119,000	4	-119,000	--	--
Adjusted appropriation	$26,320,000	408	$26,145,000	407	-$14,745,000	$11,400,000	41
DA and OGPA transfer	--	--	+17,000	--			
Appropriation total	$26,320,000	408	$26,162,000	407			

PROJECT STATEMENT
(On basis of available funds)

Project	1985 Amount	1985 Staff Years	1986 estimated Amount	1986 estimated Staff Years	Decrease	1987 estimated Amount	1987 estimated Staff Years
Resource Conservation and Development:							
1. Technical assistance	$17,383,707	403	$18,624,404	403	-$7,224,404	$11,400,000	41
2. Financial assistance	8,740,000	--	9,018,000		-9,018,000	--	--
3. Loan services	141,000	5	119,000	4	-119,000	--	--
Total direct oblig	26,264,707	408	27,761,404	407	-16,361,404	11,400,000	41
Unobligated balance brought forward	(-1,561,111)	(--)	(-1,616,404)	(--)	(+1,616,404)	(--)	(--)
Unobligated balance carried forward	(+1,616,404)	(--)	(--)	(--)	(--)	(--)	(--)
Adjusted appropriation	(26,320,000)	(408)	(26,145,000)	(407)	(-14,745,000)	(11,400,000)	(41)

Project	1985 Amount	1985 Staff Years	1986 estimated Amount	1986 estimated Staff Years	Decrease	1987 estimated Amount	1987 estimated Staff Years
Reimbursable obligations:							
Resource Conservation and Development:							
(a) Technical assistance........	56,448	--	64,915	--	-64,915	--	--
(b) Financial assistance........	1,680,025	--	1,935,085	--	-1,935,085	--	--
Total reimbursable obligations..........	1,736,473	--	2,000,000	--	-2,000,000	--	--
Obligational authority	$28,001,180	408	29,761,404	407	-$18,361,404	11,400,000	41

SOURCES OF REIMBURSEMENTS

Project	1985 Amount	1986 Est. Amount	Decrease	1987 Est. Amount
Federal Sources........	$15,330	$17,000	-$17,000	--
Non-Federal Sources....	1,721,143	1,983,000	-1,983,000	--
Total Reimbursements...	$1,736,473	2,000,000	-2,000,000	--

OUTLAYS

Resource Conservation and Development:				
(a) Technical assistance.......	$17,320,276	$18,194,561	-$6,382,696	$11,810,865
(b) Financial assistance.......	9,588,375	9,465,439	+1,571,696	11,037,135
(c) Loan services.....	141,000	119,000	-119,000	--
Total Outlays..........	$27,049,651	$27,779,000	-$4,930,000	$22,848,000

EXPLANATION OF PROGRAM

The appropriation "Resource Conservation and Development" funds the activities authorized under Section 32(e) of Title III of the Bankhead-Jones Farm Tenant Act (Public Law 95-210) as amended and the Soil Conservation and Domestic Allotment Act of April 27, 1935, (Public Law 74-46) as amended and the provision of the Agriculture and Food Act of 1981 (16 U.S.C. 3451-3461). Program assistance provided authorized RC&D areas includes technical assistance for planning and implementation, financial assistance, and loan services.

Technical Assistance: Staff assistance is provided to local sponsors in the preparation of RC&D area plans for the conservation, development, and utilization of the natural resources in the RC&D area. Staff assistance is also provided to local sponsors in the implementation of their RC&D plans. This includes:

a. Assistance with inventories and studies of a measure of areawide scale that directly aid sponsors in achieving their RC&D objectives.

b. Assistance in developing plans, designs, layout, and installation of measures eligible for RC&D financial assistance.

c. Assistance to sponsors to achieve activities and measures contained in the RC&D plans which are ineligible for RC&D financial assistance.

Financial Assistance: Financial assistance is provided to eligible sponsors to install approved measures. Priority is given to measures related to erosion and sediment control (critical area treatment), flood prevention and farm irrigation, and efficiency in water short areas. Other purposes include land drainage, soil and water management for control of agriculture-related pollutants, public water-based recreation developments, and public water-based fish and wildlife developments.

MAIN WORKLOAD FACTORS

	1985 Actual	1986 Estimate	1987 Estimate
Status of Authorized RC&D Areas:			
RC&D areas authorized at beginning of year	194	194	194
New RC&D areas authorized during year	0	0	0
RC&D areas authorized at end of year	194	194	0
Unserviced applications on hand	47	47	0
RC&D Measures:			
Financially assisted (F.A.):			
In Planning (BOY)	454	540	455
New Plans in Year	340	165	0
New Plans Cumulative	6,041	6,206	6,206
Plans Completed in Year	118	150	0
Plans Completed Cumulative	3,623	3,773	3,773
Plans Cancelled in Year	136	100	0
Plans Cancelled Cumulative	555	655	655
Plans terminated	--	--	455
In Planning (EOY)	540	455	0
Installation Underway (BOY)	498	414	369
Installation Started in Year	118	125	0
Installation Started Cumulative	3,623	3,748	3,748
Installation Completed in Year	187	150	0
Installation Completed Cumulative	2,684	2,834	2,834
Projects cancelled in year	15	20	0
Projects cancelled cumulative	132	152	152
Projects terminated	--	--	369
Installation Underway (EOY)	414	369	0
Plans Completed, Installation Not Yet Underway:			
Number	658	650	650
Cost ($ in 000's)	$148,050	$146,250	$146,250
Measures Completed with Other than RC&D Financial Assistance:			
During Year	916	1,000	0
Cumulative	18,755	19,755	19,755

Loan Services Assistance: Funds are provided the Farmers Home Administration (FmHA) to service loans made to sponsors from the Agricultural Credit Insurance Fund. Loan services must be provided from Resource Conservation and Development funds because the Agricultural Credit Insurance Fund of the FmHA is not available for such expenses. The workload in FY 1985 consisted of servicing 147 outstanding loans and loan counseling to help local sponsors arrange funding necessary to implement planned financial assistance measures.

	1985		1986		1987	
Item	No.	Actual Amount	No.	Estimated Amount	No.	Estimated Amount
1. Loans obligated during year	1	$500,000	2	$200,000	0	$0
2. Borrowers outstanding	147	$15,467,000	149	$14,967,000	149	$14,967,000
3. Loans cumulative	290	$29,412,000	292	$29,612,000	292	$29,612,000

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net decrease in appropriation of $14,745,000 for the Resource Conservation and Development program (on the basis of available funds there is a decrease of $16,361,404) consisting of:

(a) An increase of $11,400,000 for lump sum payments, severance pay and other nonrecurring program termination costs.

(b) A program decrease of $26,145,000 to terminate the Resource Conservation and Development Program (on the basis of available funds there is a decrease of $27,761,404).

Need for Change. Significant reductions are proposed in USDA conservation programs primarily for fiscal policy reasons in order to reduce mounting federal deficits which threaten continued economic recovery. The research and economic development objectives are locally oriented and should be the primary responsibility of State and local governments. Funding from State and local governments and private sources, which account for a major portion of the total conservation investment, would permit continuation of higher priority conservation work on the Nation's agricultural lands. Reviews of RC&D programs conducted in previous years have been unable to demonstrate statistically significant difference in progress toward program objectives between RC&D counties and non-RC&D counties.

Nature of Change. The proposed reduction would terminate the Resource Conservation and Development program during the early part of fiscal year 1987. No new measures would be planned, installed or completed. Ongoing work on approximately 455 plans and 369 measures underway at the start of fiscal year 1987 would become the responsibility of State and local organizations in about three months. Federal technical assistance would continue to be available to State and locally funded councils under the "Conservation Operations" account of the Soil Conservation Service and other Federal programs.

SOIL CONSERVATION SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1985 AND ESTIMATED 1986 AND 1987
RESOURCE CONSERVATION AND DEVELOPMENT

	1985 AMOUNT	1985 STAFF YEARS	1986 AMOUNT	1986 STAFF YEARS	1987 AMOUNT	1987 STAFF YEARS
ALABAMA	$645,955	9	$624,505	9	$270,407	1
ARIZONA	545,252	7	472,866	7	187,058	1
ARKANSAS	1,113,817	17	848,126	17	398,931	2
CALIFORNIA	615,826	6	493,384	6	182,605	1
COLORADO	267,934	6	500,780	6	201,692	1
CONNECTICUT	349,723	4	321,314	4	106,890	0
DELAWARE	199,483	2	151,674	2	48,355	0
FLORIDA	200,220	2	209,519	2	79,532	0
GEORGIA	650,082	12	761,144	12	307,946	1
HAWAII	161,032	4	181,984	4	78,895	0
IDAHO	649,529	9	697,041	9	263,409	1
ILLINOIS	584,834	10	598,505	10	253,865	1
INDIANA	600,553	13	588,812	13	331,488	1
IOWA	589,951	10	608,331	10	290,131	1
KANSAS	482,260	13	834,629	13	263,409	1
KENTUCKY	317,723	8	434,019	8	240,504	1
LOUISIANA	286,944	5	327,555	5	119,616	1
MAINE	394,656	7	689,593	7	242,412	1
MARYLAND	548,201	6	500,592	6	158,427	1
MASSACHUSETTS	278,969	5	416,763	5	147,611	1
MICHIGAN	801,996	11	777,216	11	248,139	1
MINNESOTA	594,300	10	610,539	10	262,772	1
MISSISSIPPI	480,718	4	683,852	4	248,139	0
MISSOURI	591,524	11	569,295	11	300,311	1
MONTANA	627,411	9	669,094	9	211,236	1
NEBRASKA	444,999	6	540,938	6	160,336	1
NEVADA	178,915	3	111,000	3	70,624	0
NEW HAMPSHIRE	204,000	4	150,000	4	95,438	0
NEW JERSEY	139,461	3	378,281	3	105,618	0
NEW MEXICO	413,208	8	353,000	8	224,597	1
NEW YORK	605,087	10	669,850	10	275,497	1
NORTH CAROLINA	535,699	10	737,972	10	286,950	1
NORTH DAKOTA	548,289	8	665,473	8	222,689	1
OHIO	913,359	14	1,028,890	14	360,119	1
OKLAHOMA	636,865	9	716,351	9	286,950	1
OREGON	446,152	4	364,640	4	182,605	0
PENNSYLVANIA	443,607	8	458,469	8	199,783	1
PUERTO RICO	65,745	1	88,000	1	55,990	0
RHODE ISLAND	131,926	2	53,000	2	33,721	0
SOUTH CAROLINA	423,000	10	471,968	10	226,506	1
SOUTH DAKOTA	729,532	12	633,021	12	294,585	1
TENNESSEE	703,882	9	624,454	9	232,232	1
TEXAS	1,117,500	13	1,178,946	13	348,667	1
UTAH	451,226	7	271,000	7	172,425	1
VERMONT	318,155	5	298,330	5	129,159	1
VIRGINIA	317,735	5	278,967	5	139,976	1
WASHINGTON	279,227	4	263,087	4	134,249	0
WEST VIRGINIA	551,666	11	564,070	11	325,125	1
WISCONSIN	304,454	5	413,193	5	160,972	1
WYOMING	278,386	5	442,968	5	208,055	1
CHESTER NTC	106,701	3	115,000	3	73,169	0
FORT WORTH NTC	122,061	4	107,000	4	68,079	0
LINCOLN NTC	105,996	3	115,000	3	73,169	0
PORTLAND NTC	123,390	3	126,000	3	80,168	0
NATIONAL HDQTRS	912,561	11	1,128,404	11	728,767	2
FmHA ALLOCATION	141,000	5	119,000	4	0	0
FS ALLOCATION	792,030	3	724,000	3	0	0
TOTAL, RESOURCE CONSERVATION AND DEVELOPMENT	$26,264,707	408	$27,761,404	407	$11,400,000	41

RESOURCE CONSERVATION AND DEVELOPMENT

STATUS OF PROGRAM

The Resource Conservation and Development (RC&D) Program began in February 1964 under authority of Section 102 of the Food and Agriculture Act of 1962 (Public Law 87-703) and other Departmental authorities. In December, 1981, Sections 1528-1538 of the Agriculture and Food Act of 1981 authorized a program for aiding local and state efforts in resource conservation and development. Program assistance is provided to RC&D sponsors as authorized by the Secretary of Agriculture. RC&D sponsors, state and local units of government, and nonprofit organizations initiate and direct the planning process, develop and maintain an RC&D area plan, and carry out activities to implement the plan.

Current Activities: Department of Agriculture agencies provide technical, financial, and loan assistance to local sponsors. An RC&D Policy Board was established in April 1984 under Subtitle H of the Agriculture and Food Act of 1981 (P.L. 97-98). The Board provides advice and recommends policy on program administration to the Secretary of Agriculture. The interagency board has members from SCS, FS, FHA, ES, ASCS and ORDP. Program leadership is provided by the Soil Conservation Service (SCS). Sponsors also seek the help of local, State, and other Federal agencies that can assist them in areawide planning and in carrying out activities to implement plans. .

A National RC&D manual was developed by SCS during FY 1984. The new manual, a revision of the previous National RC&D Handbook, describes policies for RC&D program assistance. The RC&D Policy Board is reviewing the manual and considering the development of a Departmental policy document describing the interagency effort involved in delivering RC&D program assistance.

Program Objectives: The objectives of the RC&D Program include improving the effective use and conservation of natural resources in rural communities by focusing on:

1. erosion control and the conservation of land resources,
2. flood prevention, and the
3. management and conservation of water resources.

Additional RC&D objectives include:

1. protection of agricultural land, as appropriate, from conversion to other uses;
2. improvement, development, and enhancement of social, economic and environmental vitality of rural communities;
3. energy conservation; and
4. protection of fish and wildlife habitats.

To achieve these objectives, the program assists in the development and improvement of the natural resource management capabilities of State and local governments and nonprofit organizations serving rural areas. Area Councils develop locally directed and managed area planning and decisionmaking processes. The program also establishes or improves the coordination systems used in rural communities to effectively utilize available Federal, State, and local programs. Area Councils develop the priorities for their activities that will result in the maximum conservation, economic, and social benefit to the area.

Types of Assistance Furnished by the Department

Types of assistance provided within an RC&D area are:

1. Technical assistance was being provided to 194 authorized RC&D areas as of September 30, 1985. Land, water, and related natural resources are studied by the sponsors and the cooperating Federal, State, and local agencies and organizations in each area. These studies identify problems, needs, and the importance and availability of resources in the RC&D area. Local goals and objectives are redefined as studies are completed and the sponsors record the actions and update the RC&D plan. This process of evaluation and redefinition of goals and updating the plan of action is repeated each year in each area to obtain improvements in rural communities.

   Coordination and cooperation are essential in the planning process. USDA, through the Soil Conservation Service, provides an RC&D Coordinator to assist sponsors in coordinating activities to achieve the goals and actions recorded in the RC&D area plan. The typical RC&D area has 17 sponsors including six county governments, seven soil and water conservation districts, two cities, a substate district and one other organization. This group of sponsors organize by having each sponsor designate a representative to serve on the RC&D council. The council, with assistance from the RC&D Coordinator and other agency representatives, carries out the coordinating function to make effective use of all financial and technical resources available in the area.

   RC&D area planning focuses on conserving and developing natural resources through local citizen leadership and participation. The process is concerned with enhancement of the environment; an orderly approach to land use change; reduction of flooding and drainage problems; development of recreation facilities; protection of scenic and historic attractions; the development of local industry and the generation of other rural community developments.

   In fiscal year 1985, about 118 RC&D measures were completed. These measures are made up of a variety of activities carried out under the leadership of the RC&D council with assistance from Federal, State, and local cooperating agencies. The Soil Conservation Service and other cooperating USDA agencies provided technical assistance which included providing soils information, farm market analyses, wood utilization studies, and assistance needed by the sponsors to plan, layout and supervise installation of works of improvement described below in "Financial Assistance." Technical assistance provides for identifying sources of assistance, determining probable impacts, and advising RC&D sponsors on actions to be taken.

2. Financial assistance: There were 187 measures installed with financial assistance provided through the RC&D program in fiscal year 1985, bringing the total to 2,684 measures completed. Financial assistance is administered by the Soil Conservation Service for critical area treatment (erosion and sediment control), flood prevention, farm irrigation, land drainage, agriculture-related pollutant control, public water-based recreation, fish and wildlife developments, and water quality management measures.

3. Loan services assistance: Funds are provided the Farmers Home Administration (FmHA) to service loans made to sponsors from the Agricultural Credit Insurance Fund. Loan services must be provided from Resource Conservation and Development funds because the Agricultural Credit Insurance Fund of the FmHA is not available for such expenses.

Program Assignments

Administrative leadership for this Program is assigned to the Soil Conservation Service. USDA area planning assistance as well as technical assistance for implementing the plan is provided by the Soil Conservation Service and Forest

Service. With direction from the Extension Service arrangements are made for the State Cooperative Extension Service in selected RC&D areas to provide educational assistance to meet sponsors' special needs. The Farmers Home Administration is responsible for the loan provisions of the Program. The Economic Research Service aids in evaluating activities having impact in more than one RC&D area and in the evaluation of applications and RC&D plans. In addition, other USDA agencies and agencies from other departments provide assistance to RC&D sponsors within their existing authorities and programs. State and local units of government and their agencies also participate. Thus, RC&D activities are broader than those created by assistance from this Department alone. An indication of the level of participation by USDA agencies follows.

Direct funds obligated in 1985 and direct staff-years by agency follow:

	Technical Assistance		Financial	
	Net Obligations	Staff-Years	Assistance Obligations	Total Net Obligations
1985 Actual:				
SCS..............	$16,591,677	400	$8,740,000	$25,331,677
FmHA (Loan Ser.)..	141,000	5	--	141,000
FS................	792,030	3		--
Total...........	$17,24,707	408	$8,740,000	$26,264,707

Resource Conservation and Development funds obligated and staff-years used in 1985 by State were:

(In thousands of dollars)

State	Obligations	Staff Years	State	Obligations	Staff Years
Alabama	645,955	9	New York	605,087	10
Arizona	545,252	7	North Carolina	535,699	10
Arkansas	1,113,817	17	North Dakota	548,289	8
California	615,826	6	Ohio	913,359	14
Caribbean Area	65,745	1	Oklahoma	636,865	9
Colorado	267,934	6	Oregon	446,152	4
Connecticut	349,723	4	Pennsylvania	443,607	8
Delaware	199,483	2	Rhode Island	131,926	2
Florida	200,220	2	South Carolina	423,000	10
Georgia	850,082	12	South Dakota	729,532	12
Hawaii	161,032	4	Tennessee	703,882	9
Idaho	649,529	9	Texas	1,117,500	13
Illinois	584,834	10	Utah	451,226	7
Indiana	600,553	13	Vermont	318,155	5
Iowa	589,951	10	Virginia	317,735	5
Kansas	482,260	13	Washington	279,227	4
Kentucky	317,723	8	West Virginia	551,666	11
Louisiana	286,944	5	Wisconsin	304,454	5
Maine	394,656	7	Wyoming	278,386	5
Maryland	548,201	6	National Technical Centers	458,148	13
Massachusetts	278,969	5			
Michigan	801,996	11	National Headquarters	912,561	11
Minnesota	594,300	10			
Mississippi	480,718	4	Total, Resource Conservation & Development, SCS..........	25,331,677	400
Missouri	591,524	11			
Montana	627,411	9			
Nebraska	444,999	6			
Nevada	178,915	3	Allocation accounts......	933,030	8
New Hampshire	204,000	4			
New Jersey	139,461	3	Total, Resource Conservation & Development..	$26,264,707	408
New Mexico	413,208	8			

Status of Resource Conservation and Development Program as of September 30, 1985

	Area Applications on Hand			Areas Authorized for Assistance		
State	No.	Acres (000)	Counties Involved	No.	Acres (000)	Counties Involved
Alabama	2	6,374	15	6	24,639	50
Arizona	--	--	--	5	67,986	17
Arkansas	3	9,223	20	5	24,359	55
California	2	21,406	7	3	17,005	13
Caribbean Area	--	--	--	2	875	6
Colorado	1	5,949	6	5	40,800	40
Connecticut	--	--	--	2	3,127	9
Delaware	--	--	--	1	1,266	3
Florida	--	--	--	3	9,985	22
Georgia	2	1,253	6	6	8,398	39
Hawaii	1	402	1	2	3,298	2
Idaho	--	--	--	4	34,529	22
Illinois	--	--	--	4	11,364	36
Indiana	--	--	--	6	9,469	39
Iowa	--	--	--	6	11,638	34
Kansas	--	--	--	5	15,673	34
Kentucky	1	2,533	10	5	9,843	39
Louisiana	1	4,332	11	3	10,383	23
Maine	--	--	--	4	9,298	15
Maryland	--	--	--	2	2,834	12
Massachusetts	1	2,152	4	2	2,979	9
Michigan	1	1,853	5	4	19,229	40
Minnesota	2	17,961	7	4	25,740	50
Mississippi	1	2,710	6	4	27,467	76
Missouri	1	2,766	9	5	17,653	43
Montana	--	--	--	3	16,857	12
Nebraska	--	--	--	2	16,664	17
Nevada	--	--	--	2	16,661	9
New Hampshire	--	--	--	1	3,161	4
New Jersey	--	--	--	2	3,075	11
New Mexico	1	9,375	3	6	61,367	29
New York	2	5,051	13	5	16,582	24
North Carolina	3	5,007	16	6	12,771	37
North Dakota	2	10,572	10	6	33,833	43
Ohio	--	--	--	5	9,159	30
Oklahoma	4	12,014	24	5	21,342	39
Oregon	--	--	--	4	16,639	15
Pennsylvania	--	--	--	5	16,520	35
Rhode Island	--	--	--	1	677	5
South Carolina	1	1,856	3	4	10,468	26
South Dakota	4	27,506	34	4	20,721	25

Status of Resource Conservation and Development Program
as of September 30, 1985

	Area Applications on Hand			Areas Authorized for Assistance		
State	No.	Acres (000)	Counties Involved	No.	Acres (000)	Counties Involved
Tennessee	--	--	--	4	9,621	37
Texas	8	39,542	59	10	40,260	69
Utah	3	20,127	12	3	25,159	11
Vermont	--	--	--	2	3,751	12
Virginia	--	--	--	2	3,872	13
Washington	--	--	--	2	6,185	5
West Virginia	--	--	--	5	12,052	44
Wisconsin	--	--	--	4	22,581	39
Wyoming	--	--	--	3	38,029	14
TOTALS	47	209,964	281	194	847,844	1,333

For multistate applications and areas: The number is tabulated for the State having leadership. The acreage column reflects actual acreage in each State. The counties involved column reflects whole and part of counties in each State.

For those States having counties that are involved in more than one RC&D area, the counties involved column figure will reflect this duplication. This duplication will also be reflected in the national total.

Implementing the RC&D Plan Through Measures

In the 194 authorized RC&D areas, the sponsors have developed goals and set courses of actions to reach those goals. Specific actions called RC&D measures are adopted and approved for planning of action. The following is an estimated national summary of those measures as of September 30, 1985.

NATIONAL SUMMARY OF RC&D MEASURES
AS OF SEPTEMBER 30, 1985

	Adopted		Cancelled WO Plan		Planned		Canceled W/Plan		Completed	
	FY 1985	To Date	FY 1985	To Date	FY 1985	To Date	FY 1985	To Date	FY 1985	To Date
Financially Assisted:										
Critical Area Treatment......	209	3,373	48	175	95	2,279	8	62	125	1,583
Flood Prevention............	54	1,076	30	116	11	537	3	28	23	465
Farm Irrigation.............	16	356	8	57	1	197		6	7	173
Land Drainage...............	34	412	18	44	4	210	3	14	10	180
Ag-Related Pollution Control.	9	105	5	22	2	61	1	2	7	53
Public Water-Based Recreation	9	541	19	90	3	274		15	10	177
Public Water-Based Fish and Wildlife..............	8	177	8	52	2	65		5	5	53
Water Quality Management.....	1	2								
Subtotal....................	340	6,042	136	556	118	3,623	15	132	187	2,684
With Other Than RC&D Financial Assistance:										
Accelerated Services.........	14	939	8	23	2	240	5	19	13	755
Public Recreation or Fish and Wildlife Developments..	97	3,193	42	260		25		14	72	2,380
Water Development...........	17	1,002	14	109	1	35	1	19	10	611
Special Resource Studies and Inventories...........	164	4,437	95	249	1	97	2	74	191	3,650
Highways, Roads, Trails, and Scenic Highways........	22	816	10	44		14		8	13	619
Cooperatives and Associations	13	310	5	32		9		9	7	232
Agriculture and Forest Product Processing or Marketing Industry.........	94	925	11	79		11		6	56	679
Industrial Development.......	41	606	5	83		6	1	6	20	419
Public Facilities or Services	192	4,934	39	223		33	1	21	169	3,692
Educational.................	186	2,272	33	116		37		20	168	1,815
Other.......................	212	4,931	121	361	1	90	1	47	197	3,903
Subtotal	1,052	24,365	383	1,579	5	597	11	243	916	18,755
TOTAL	1,392	30,407	519	2,135	123	4,220	26	375	1,103	21,439

Loan Programs

Under Bankhead-Jones Farm Tenant Act, Public Law 75-210, as amended, loans are made to local organizations for financing the local share of the cost of installing approved RC&D measures in authorized RC&D areas. Loan funds may be used for (1) soil and water development, conservation, control of and use of facilities; (2) shift in land use facilities; (3) community water storage facilities; (4) rural community public outdoor-oriented water based recreational facilities; and (5) special purpose equipment to carry out these purposes. The Farmers Home Administration has been assigned responsibility for making these loans to sponsors of such approved projects. No loan may be made until the Soil Conservation Service and the local organization have agreed on a plan. Public Law 94-419, approved August 30, 1972, provided for making such loans on an insured basis under the Agricultural Credit Insurance Fund.

These loans are repayable in not more than 30 years at an interest rate based on the average rate paid by the U.S. Treasury on obligations of similar maturity. The rate of the 1986 fiscal year is 11.020 percent. The amount of the loan may not exceed $500,000 for a single RC&D measure.

Applications for loans received by the Farmers Home Administration have varied greatly in amount. The applications now pending average about $166,333 each.

The workload in FY 1985 consisted of servicing 147 outstanding loans and loan counseling to help local sponsors arrange funding necessary to implement planned financial assistance measures. There were 3 applications on hand at the beginning of the year, 2 new applications were received during the year and 1 loan was made for a total of $500,000.

Selected examples of recent progress:

Jefferson County Rural Water Associated Measure - State of Iowa. Southeast Iowa experienced water quality problems which had an adverse effect on economic development. Local people struggled trying to find a way to develop a rural water program. Under the leadership of the RC&D staff, a Rural Water Steering Committee was formed and explored sources of government funding. The rural water group found themselves statistically too rich to qualify for government assistance in the form of grants and subsidized loans, yet too poor to finance the rural water system at conventional mortgage rates. The RC&D staff explored financing alternatives and helped the steering committee develop a plan of action. Based on this plan the group organized under Chapter 357A, a little known and seldom used section of the Iowa Code. The group is now recognized as a legal entity, the Jefferson County Rural Water District, rather than the traditional non-profit corporation.

As a legal entity, the Jefferson County Rural Water District was able to finance construction of a rural water system through the sale of revenue bonds at local banks at a savings of approximately 3% interest rates. Financing over 40 years through The Farmers Home Administration would have resulted in a total cost nearly 4 times the initial construction cost of the rural water system. Through the sale of local revenue bonds, the resulting cost will be approximately 1 3/4 times the initial cost of construction. This method of financing and organization allows individual district members the option of paying their per user cost upfront, annually, bi-annually, quarterly or monthly. As a result of this project, The Farmers Home Administration in Iowa recently suggested several of their ongoing non-profit rural water districts reorganize under Chapter 357A. The end result is local people controlling their own projects, through local financing rather than relying on government subsidies and grants.

Benefits of this project are substantial in providing rural residents of Jefferson County a dependable, high quality water supply, reducing the health hazards which formerly existed. Benefits of this project extend beyond southeast Iowa as now FmHA recognizes this method of financing for future projects.

Seneca Trail Associated Measure - State of New York. The Seneca Trail RC&D Custom Feedlot Demonstration Project was initiated to see if feeder calf producers in Southwestern New York could improve marketing by retaining ownership of their calves and have them custom finished by a cattle feeder. A RC&D Beef Marketing Action Committee composed of livestock producers was organized to develop the program. They developed guidelines, selected a feeder, chose a local producers cooperative as their representative and developed a contract. Ninety two head of cattle were gathered from nine producers and put into the feedlot on October 29, 1983. The cattle were weighed on October 29, 1983 and February 29, 1984 to evaluate progress. Groups of cattle were sold and removed as they were estimated to be "grade low choice". The cattle were sold at or above prices being paid in major cattle feeding areas. This indicated that quality finished cattle in this region could be sold for competitive prices.

With this success, a second year of the program was initiated with 135 head of feeder calves entering the feedlot. The cattle were finished and sold utilizing the same process. During the program's second year prices for finished beef were very depressed nationally, running $10 to $15 per CWT below the national average. By utilizing the marketing specialits, producers were able to realize an average increase in value of $92 per head over the value of the animal at the time of consignment. In 1984 when prices were at the national 3 year average, producers participating in the feedlot realized an average increase in value of $101 per head. Based on these results a retained ownership custom feeding program appears to be a viable alternative marketing strategy for southwestern New York beef cattlemen.

This project was successful, primarily due to the hard work and dedication of the producers and the government agencies involved and the cooperative spirit which was maintained. Included are Seneca Trail RC&D, Angelica Feeder Sales, Inc. and their members who consigned cattle; the cattle feeder, Cooperative Extension Service, New York State Department of Agriculture and Markets and the Extension Beef Cattle Specialist at Cornell University. The overall benefits of the project can be estimated at $1,200,000 based on value added over the next 10 years.

Dunbar Associated Measure - State of Texas. This measure involved the acquisition and rehabilitation of a 10-acre tract of land with five abandoned school buildings containing 27,000 square feet of space in Livingston, Polk County, Texas. A group of citizens, known as The Committee to Save Dunbar, secured an option to buy the property. Their fund raising efforts for development were unsuccessful and the loan to purchase the property was in arrears. The local people turned to the Southeast Texas RC&D Executive Committee for help.

Through a series of meetings with local officials and residents it was determined the facility could be used to house the health and human services agencies of Polk County in one location and relieve the overcrowding in the Courthouse. Also, the history and heritage of the school campus could be preserved and one building could be set aside for community activities. Polk County agreed to sponsor an effort to secure funds to develop the Dunbar Campus into a multi-purpose service and community center. Local pledges have come from the Texas Department of Human Resources - $75,000; Temple Foundation - $25,000; Dunbar Committee - $15,000; and Polk County - $40,000. A grant was obtained from the Texas Department of Community Affairs in the amount of $410,000.

Four of the buildings are now available for service agencies which include Job Training, Child Development Center, Health Department, Mental Health and Mental Retardation, and the Department of Human Resources. The other building will house the Dunbar Community Association. Plans have been made for local service clubs to develop a park, Little League baseball field, and a soft ball diamond. Through cooperation and work by local people and the RC&D organization this complex serves about 12,000 residents of which 9,000 fall in the low to moderate income category.

Tyrrell Elementary School - State of North Carolina. Thanks to the RC&D program school children at the Tyrrell Elementary School in North Carolina's Albemarle RC&D Area again have an attractive and safe place to play. Through the program, their parents and the local school board have also provided protection for a valuable educational facility and reduced maintenance costs as well. A serious flooding and drainage problem has been solved. The school grounds have been "dried out" permitting use almost every day by the 375 students.

The 13-acre school site is adjacent to the Scuppernong River that flows into the Albemarle Sound. Before the measure was installed, wind tides backed water onto the school grounds during storms. Unusually heavy precipitation caused additional flooding and drainage problems. Wet play areas, building damage, and mosquito breeding areas were the result. Per capita income in the community is low, under $2,000 per year, and help was needed to solve the problem.

RC&D program funds were used to develop a measure plan and install a dike, pump, subsurface drains, and water collection system. School maintenance costs have been reduced about $5,000 per year. Flooding and drainage problems have been eliminated. As a result of measure installation, local citizens have raised money to build and equip a little league ball field used by eight teams and church groups. They also have developed an outdoor classroom and amphitheater and have installed woodduck nesting boxes to benefit wildlife. The project has installed a tremendous community pride in this public facility.

Time and Tide State Prison Farm Associated Measure - State of Maine. In 1977 the Time and Tide RC&D Agricultural Resource Committee became concerned that while all of the food used at the State prison was purchased, much of it from outside the State of Maine, the state still owned several hundred acres of land that at one time had been used as a prison farm to provide food for several hundred inmates. Food had also been shipped to several other state institutions in Maine.

The RC&D Committee formed a nonprofit group, called the Mid-Coast Agricultural Resource Center (MARC), made up of Time and Tide RC&D Council and Agriculture Resource Committee members. MARC members determined that the interest level of elected officials and prison administration was quite low.

Through MARC, many meetings were scheduled in the State Capital and at the prison farm. Workshops were held with help of USDA agencies to teach inmates gardening and related skills. The first year, about one acre of gardens was planted. The next year MARC located seeds for planting potatoes and many other crops. They also located old equipment at little or no cost for the farm to get started, as the prison had no funds for this use. Hay was cut, baled and sold and the income used to buy equipment. Over the years more crops were grown each year until in 1985 about 45 acres were planted. The State Legislators provided funds for equipment. There is discussion now of MARC meeting with prison officials to promote the growing livestock for prison use.

This program has proven to be beneficial to inmates, helping them to learn more about farming as well as saving the state thousands of dollars in food. Arrangements are made with a local canning plant for the prison to provide them with squash, and the plant repays them with all types of canned goods for the inmates.

Many hundreds of hours of time have been donated by MARC and the Time and Tide RC&D Council and committees to help get this RC&D associated measure started. It is rewarding now to see the support at the prison and the State Capitol, and it is hoped that more can be done until the natural resources the state owns can be fully utilized to their benefit.

Passenger Motor Vehicles

Passenger motor vehicles of the Soil Conservation Service are distributed among 50 State Offices and Puerto Rico, 230 area offices, and various technical specialists located at field headquarters. None of these vehicles are used in Washington, D.C. Vehicles are used in rural and other areas where common carrier facilities are either non-existent, uneconomical, or inadequate. The nature of the travel requires a high degree of mobility with frequent stops at field offices, job sites, and other places not serviced by common carrier. Resident technicians servicing farmers and ranchers in conservation districts use pickup trucks rather than passenger vehicles.

Passenger motor vehicles are generally assigned to an office location and not exclusively to one individual. This allows several employees to rely on the use of a single vehicle, thus maximizing utilization, and minimizing the number of vehicles needed.

On September 30, 1985, the Soil Conservation Service had 2,099 passenger vehicles in a total fleet of 10,551 vehicles. The fleet includes pickup trucks, sedan deliveries (light trucks), jeeps, and heavy trucks.

Replacement of Passenger Motor Vehicles. Vehicles proposed for replacement are driven more than 60,000 miles or are more than 6 years of age or would be beyond economic repair due to accident or other causes. Normally, SCS would dispose of and replace about 400 vehicles per year. However, due to the proposed budget and personnel reduction for FY 1987, the estimates do not provide for the replacement of passenger motor vehicles in FY 1987.

SCS is continuing a sound and effective replacement program. During fiscal year 1985, 130 replacements were purchased. Economy of operation and expected use factors are taken into consideration as well as prescribed age and mileage standards in planning replacements.

Age and mileage data for Soil Conservation Service passenger motor vehicles on hand September 30, 1985, are as follows:

Model	Number of Vehicles	Percent of Total	Lifetime Mileage (Thousands)	Number of Vehicles	Percent of Total
1977 and older	331	15.8	60 to over 100	557	26.5
1978	159	7.6	50-59	314	15.0
1979	166	7.9	40-49	294	14.0
1980	306	14.6	30-39	241	11.5
1981	355	16.9	20-29	247	11.8
1982	86	4.1	10-19	240	11.4
1983	264	12.6	1-9	183	8.7
1984	268	12.7	Under 1	23	1.1
1985	164	7.8			
TOTAL	2,099	100.0		2,099	100.0

TUESDAY, MARCH 18, 1986.

STATISTICAL REPORTING SERVICE

WITNESSES

ROBERT L. THOMPSON, ASSISTANT SECRETARY FOR ECONOMICS

WILLIAM E. KIBLER, ADMINISTRATOR, STATISTICAL REPORTING SERVICE

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Mr. AKAKA. The Committee will come to order. We are pleased to have the Statistical Reporting Service before us. We look forward to your statement. We will enter it in its entirety in the record and you may present your testimony.

OPENING STATEMENT

Mr. KIBLER. Thank you, Mr. Chairman. It is a pleasure to be before this Committee again and present the budget of the Statistical Reporting Service. I will highlight my remarks and then we will take your questions.

The Statistical Reporting Service administers USDA's program for collecting, compiling, analyzing and disseminating current national and state agricultural statistics. We do research designed to improve the statistical methodology used and perform reimbursable work gathering statistics needed by other agencies in the Department of Agriculture and other Federal agencies.

This program is administered through 44 cooperative State Statistical Offices that cover all 50 States. All these State Statistical Offices are operated as cooperative institutions with funding arrangements through State Departments of Agriculture or Land Grant Universities. We think this method of cooperation works very efficiently in serving both the State and national agricultural data needs and for specialized commodities.

The research program we operate is conducted to improve the statistical methodology used internally in developing the agricultural statistics published in some 300 reports each year.

We link certain reimbursable surveys to our ongoing surveys using funds provided by other groups. As Mr. Lee mentioned earlier today, the Farm Costs and Returns Survey is a good example of this arrangement.

One of the other things that is key in the successful operation of our program is periodically meetings with data users from the public and private sectors. These are held in different locations of the country, so users can tell us directly how our program is serving their needs. The Agency has made a number of adjustments in its program as a result of suggestions that have come from these data user meetings.

One of the key things that has surfaced from these data user meetings is that our data users tell us they don't want us to compromise the quality of the major statistics issued. They recommend if we have to make some adjustments, we ought to prioritize our programs in some manner and eliminate lower priority series. The changes occurring in the agricultural sector and the economic difficulties present increase the need for improved reliablity.

In the 1986 Appropriation Bill the Congress specified some surveys that had been eliminated that we needed to reinstate. These covered dry peas, lentils, and white wheat which are being put back in our program in 1986.

For 1987, our budget request is for $59,712,000. There are three items we are requesting increases for and one activity we suggest be decreased.

A long range plan completed several years ago pointed out the need for us to shift all our surveys for collecting data to a probability basis. This would insure that they accurately represent the agricultural sector and reflect changes occurring. A USDA outside review panel gave us this same recommendation in its 1985 report. One of the requested items in our 1987 budget is $450,000 to continue this shift. This is really part of a five phase plan. We have finished three phases and we have two more to complete before it is completed.

We are also asking for a $150,000 increase to improve the procedures followed and the data bases used by the Crop Reporting Board. This automation will allow SRS and the Crop Reporting Board, which operates under very rigid timeframes, to more carefully evaluate and analyze all the survey and administrative data components used by the Board. This is critically important if we are to do a better job of measuring the major changes that are in store for agriculture during the coming years.

We also are requesting an increase of $503,000 for inflationary costs. Those are to maintain what we feel like are our core program estimates and to offset increased costs associated with travel, postal rates, communication services, and transfer of staff. You understand the nature of inflationary costs.

We are also suggesting that we drop a couple of surveys, related to prices paid by farmers for building materials and marketing containers. This will decrease our costs by about $50,000. We are not going to eliminate those totally but are not going to do them quite as often as in the past.

Mr. Chairman, that highlights my statement. I would be glad to respond to questions.

[CLERK'S NOTE: The full text of Mr. Kibler's prepared statement appears on pages 709 through 713. The explanation notes on pages 714 through 734.]

DISCONTINUED REPORTS

Mr. AKAKA. Thank you very much.

Did you discontinue any reports during fiscal year 1985 and do you plan to continue any reports during fiscal year 1986?

Mr. **Kibler**. We did not discontinue any reports during 1985. We have announced a series of changes for 1986, to offset a $2.5 million decrease in appropriations associated with Gramm-Rudman. Those were announced on February 7th in the Federal Register. A number of comments on these suggested changes were received. We modified our proposal somewhat and announced last Friday, March 14th, what our program would be for 1986.

We took basically about 30 percent of the decrease out of the livestock side, about 30 percent out of the crop side, and about 30 percent out of the price side, and about 10 percent out of the research side, to get that $2.5 million reduction.

Mr. Chairman, I can put a copy of the news release identifying the things that were dropped out in the record.

Mr. **Akaka**. We certainly would like a list of those for the record, also include a list showing the frequency of the reports and the total number of copies printed each year.

Mr. **Kibler**. We would be glad to put that into the record.

[The information follows:]

Notices

Federal Register
Vol. 51, No. 50
Friday, March 14, 1986

This section of the FEDERAL REGISTER contains documents other than rules or proposed rules that are applicable to the public. Notices of hearings and investigations, committee meetings, agency decisions and rulings, delegations of authority, filing of petitions and applications and agency statements of organization and functions are examples of documents appearing in this section.

DEPARTMENT OF AGRICULTURE

Office of the Secretary

Grazing Fees for Domestic Livestock for Certain National Forest System Lands in the 16 Contiguous Western States

AGENCY: Office of the Secretary, Agriculture.

ACTION: Notice of Grazing Fee formula for National Forests and Land Utilization Projects in the 16 contiguous Western States and the Curlew and Crooked River National Grasslands.

SUMMARY: The Secretary of Agriculture announces the grazing fee formula to be used to determine grazing fees for domestic livestock for certain specified National Forest System lands in the 16 contiguous Western States administered by the U.S. Department of Agriculture, Forest Service.

EFFECTIVE DATE: March 1, 1986.

ADDRESS: Address any inquiries about this policy to: R. Max Peterson, Chief (2230), USDA—Forest Service, P.O. Box 2417, Washington, DC 20013.

FOR FURTHER INFORMATION CONTACT: Robert M. Williamson, Director, Range Management Staff, (703) 235-8139.

SUPPLEMENTARY INFORMATION: Executive order 12548 issued February 14, 1986, directed the Secretary of Agriculture to establish fees for domestic livestock grazing on the public rangelands. Accordingly, the Secretary of Agriculture, acting under the authority of the Organic Act of June 4, 1897 (16 U.S.C. 473–475, 477–482, 551) and the Bankhead-Jones Farm Tenant Act of July 22, 1937 (7 U.S.C. 1010–1012), has established the following formula effective March 1, 1986, to determine grazing fees on the National Forests and Land Utilization Projects in the 16 contiguous Western States and the Curlew and Crooked River National Grasslands:

The annual fee equals the $1.23 base established by the 1966 Western Livestock Grazing Survey multiplied by the result of the Forage Value Index (computed annually from data supplied by the Statistical Reporting Service) added to the Combined Index (Beef Cattle Price Index minus the Prices Paid Index) and divided by 100; provided, that the annual increase or decrease in such fee for any given year shall be limited to not more than plus or minus 25 percent of the previous year's fee, and provided further, that the fee shall not be less than $1.35 per animal unit month (animal month).

Direction implementing the grazing fee formula is contained in a recent interim directive in the Forest Service Manual, Chapter 2230, Grazing and Livestock Use Permit System.

Establishing a grazing fee formula has no effect on the physical and biological environment. Provisions of grazing permits issued on the National Forests control the environmental aspects of livestock grazing use, including the amount of grazing allotted to individual users, the kind and number of livestock that may be on National Forest System rangelands, and specifications as to their movement, entry, and exit. Stocking rates for livestock are determined by the Forest Service independent of fee levels.

It is hereby determined that the establishment of this grazing fee formula does not constitute a major Federal action significantly affecting the quality of the environment and that no detailed statement pursuant to section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332(2)(c)) is required.

Dated: March 6, 1986.

Peter C. Myers,

Assistant Secretary, Natural Resources and Environment.

[FR Doc. 86-5819 Filed 3-13-86; 8:45 am]

BILLING CODE 3410-11-M

Statistical Reporting Service

Modification of Program Reports

Final notice is hereby given that the Statistical Reporting Service (SRS) of USDA will make immediate modifications in portions of its crop, dairy, poultry, and prices paid estimating program. These actions are in response to the funding level provided to the Agency for fiscal year 1986. Available resources will be directed to maintaining high quality statistics for the more than 300 reports that will continue to be published by SRS.

Full consideration has been given to the oral and written comments received in response to the proposed modifications announced in the Friday, February 7, 1986, Federal Register in developing the final program modifications outlined in this notice. SRS will work with commodity organizations and State agencies to reestablish programs being curtailed if funds for data collection, summarization, and publication can be provided by those organizations.

A. The following crop estimate program modifications will be made:

1. Discontinue pasture and range condition table and map and crop prospects map in the April *Crop Production* report. For later months (May–November) the pasture and range condition table will be retained but the pasture and range conditions map and the crops prospects map will be discontinued. The maps will be replaced by two crop moisture maps (short-term and long-term) prepared by the NOAA/USDA Joint Agricultural Weather Facility.

2. Grain stocks program:

a. Discontinue quarterly on- and off-farm stock estimates for barley, oats, sorghum, and sunflowers. Continue these commodity estimates at end-of-marketing year only (barley and oats, June 1; sunflowers, September 1), except that sorghum will be estimated both June 1 and September 1.

b. Discontinue separate State on-farm stock estimates for other grains and oil seeds in minor producing States. Individual State estimates published will account for 90 percent or more of the total U.S. production for each crop. Minor States will be published as an "unallocated" total. United States estimates will be continued.

c. Rye stocks will be continued June 1 in the States of Georgia, Minnesota, North Dakota, and South Dakota.

3. Field crop production program:

a. Discontinue winter wheat production forecasts in September.

b. Discontinue spring wheat production forecasts in October.

c. Discontinue all rye and flaxseed production forecasts. Retain acreage estimates and the end-of-year acres, yield, and production report.

d. Discontinue barley and oats production forecasts in July. Retain acreage estimates, August forecasts, and the end-of-year acres, yield, and production report plus a September 1986 production forecast.

e. Discontinue end-of-year forage estimates for corn and sorghum.

f. Discontinue sweetpotato production forecasts and disposition estimates. Retain acreage estimates and end-of-year acres, yield, and production report.

g. Publish a preliminary end-of-year acres and yield and production for small grains in the October *Crop Production* report. For 1986, this release will be on October 10 with estimates based on a survey about September 1 in 27 States in conjunction with the September *Grain Stocks* report.

4. Discontinue all fertilizer production and consumption statistics collected and published by SRS, including the annual *Commerical Fertilizers* report.

5. Hop production and stocks estimates will continue to be made, at least while the Federal Marketing Order remains in place.

B. The following reductions in State estimates for dairy and poultry reports are planned:

1. *Milk Production*—Coverage of estimates in the monthly reports will be reduced from 33 States and the U.S. to 21 States with about 85 percent of the U.S. production. Reports issued in January, April, July, and October will continue to include quarterly estimates for 50 States and the U.S. Reports in the nonquarterly months will include and indication of U.S. totals based on the relationship for the most recent quarterly month. Estimates by month will be eliminated for Alabama, Arkansas, Colorado, Georgia, Kansas, Louisiana, Mississippi, Nebraska, North Dakota, Oklahoma, Oregon and Utah beginning with the May 14, 1986, release of April production.

2. *Eggs, Chicken & Turkeys*—Coverage of layers and egg production estiamtes in the monthly reports will be reduced in coverage from 33 States and the U.S. to 20 States with about 84 percent of the U.S. production. Reports issued in March, June, September, and December will continue to include quarterly egg production estimates for 50 States and the U.S. Reports in the nonquarterly months will include and indication of U.S. totals based on the relationship for the most recent quarterly month. Estimates by month will be eliminated for Hawaii, Illinois, Kansas, Kentucky, Louisiana, Massachusetts, Nebraska, New Jersey, Oklahoma, Oregon, Tennessee, Virgina and Wisconsin beginning with the April 23, 1986, release of March production.

3. *Weekly Broiler Hatchery*—Coverage of weekly estimates of broiler eggs set and chicks placed will be reduced from 19 States to 12 States with about 92 percent of the U.S. production. Monthly estimates of brolier chicks hatched in the U.S. will continue as currently published in *Eggs, Chicken & Turkeys*. States to be eliminated from the weekly coverage are Louisiana, Missouri, Oregon, South Carolina, Tennessee, Washington, and West Virginia beginning with data for week ending March 8 available for release March 12, 1986.

C. The following changes in the program of prices paid reports are planned:

1. The annual Telephone and Electric Survey will be discontinued.

2. Feed, fuels and motor supplies will be surveyed and published quarterly rather than monthly. Only regional and U.S. level prices will be estimated in this new quarterly survey, which will begin in April, due to reduced sample sizes. The last monthly survey for these items will be February 1986.

3. Fertilizer prices will be surveyed and published on a regional and U.S. basis in April and October of each year, instead of the current 4 surveys.

4. Seed prices will be surveyed annually in April of each year with U.S. level prices published rather than semiannually by States.

5. Replacement livestock prices will be published on a U.S. level basis each quarter instead of monthly by States.

6. Building Materials will be surveyed in April, July, and October with prices published at the U.S. level compared with current bimonthly State data.

7. Farm Machinery, Farm Supplies, and Marketing Containers will be surveyed semiannually in April and October (rather than quarterly) with prices published at the U.S. level.

8. Autos and trucks annually in April instead of semiannually with prices published at the U.S. level.

D. Modification in survey dates for quarterly stocks report:

In addition to these program modifications, on-farm and off-farm grain stocks surveys scheduled for October 1, 1986, will be moved to September 1 and the dates of other quarterly reports shifted to a uniform quarterly time schedule. This is to reduce costs and responds to new legislation changing the official marketing year for corn from October 1-September 30 to September 1-August 31. The first new stocks report will be issued on September 29, 1986. The stocks survey scheduled for Janaury 1, 1987, including stocks of rice and hay, will be changed to December 1, 1986, and the report will be issued in January 1987. The grain stocks survey scheduled for April 1, 1987, including rice, and the February 1 propsective planting survey will be changed to March 1 with a report to be issued in late March 1987. A historical 10-year data series of U.S. totals will be published for each of the new stock report dates to assist data users in shifting data bases to the new report schedule.

Done at Washington, DC, this 11th day of March 1986.

W.E. Kibler,

Administrator.

[FR Doc. 86-5606 Filed 3-13-86; 8:45 am]

BILLING CODE 3410-20-M

DEPARTMENT OF COMMERCE

International Trade Administration

Initiation of Antidumping Duty; Administrative Reviews

AGENCY: International Trade Administration, Import Administration, Commerce.

ACTION: Notice of Initiation of antidumping duty administrative reviews.

SUMMARY: The Department of Commerce has received requests to conduct administrative reviews of various antidumping duty orders and findings. In accordance with the Commerce Regulations, we are initiating those administrative reviews.

EFFECTIVE DATE: March 14, 1986.

FOR FURTHER INFORMATION CONTACT: William L. Matthews, Office of Compliance, International Trade Administration, U.S. Department of Commerce, 20230; telephone: (202) 377-5253.

SUPPLEMENTARY INFORMATION:

Background

On August 13, 1985, the Department of Commerce ("the Department") published in the Federal Register (50 FR 32556) a notice outlining the procedures for requesting administrative reviews The Department has received timely requests, in accordance with § 353.53a(a)(5) of the Commerce Regulations, for administrative reviews of various antidumping duty orders and findings.

Initiation of Reviews

In accordance with § 353.53a(c) of the Commerce Regulations, we are initiating administrative reviews of the following antidumping duty orders and findings. We intend to issue the final results of

ANNUAL PRINT VOLUME MAJOR REPORTS FY 1985

Includes in-house printed, and printed by GPO,
or printed under contract for GPO

Crop Production--Includes monthly Crop Production, Prospective Plantings, Small Grains, and the Annual Crop Summary	53,150
Grain Stocks--Includes Soybean Stocks (Quarterly)	10,600
Potatoes & Sweetpotatoes (Annual)	8,850
Rice Stocks (Quarterly)	7,250
Peanut Stocks & Processing (Monthly)	22,000
Vegetables (Monthly)	22,100
Cattle (Bi-Annual)	5,100
Cattle on Feed (Monthly)	31,800
Hogs & Pigs (Quarterly)	10,500
Livestock Slaughter (Monthly)	41,850
Eggs, Chickens & Turkeys (Monthly)	28,100
Poultry Slaughter (Monthly)	19,450
Egg Products (Monthly)	19,500
Dairy Products (Monthly)	25,800
Milk Production (Monthly)	28,150
Cold Storage (Monthly)	30,800
Agricultural Prices (Monthly)	37,600
Catfish (Monthly)	19,250
Farm Labor (Quarterly)	7,400
Sugar Market Statistics (Quarterly)	6,800
Commercial Fertilizer (Annual)	1,900
Farm Production Expenditures (Annual)	4,950
Hop Stocks (Bi-Annual)	2,200

PRIVATELY FUNDED REPORTS

Mr. **Akaka**. Are any of these reports funded by contributions from outside sources?

Mr. **Kibler**. We do have some reports that are funded from outside. These tend to be specialized commodities where a State or commodity group is interested in specific data. For example, the Catfish Farmers of America contributes money for us to publish some special information on catfish production. Once we collect these data they are available for everybody. Malting barley is another survey that we get funds for collecting special information about barley varieties. We also get some money from the citrus and nut commodity organizations in California. They are anxious to carefully promote marketing, if they have a big crop, and have requested some special production reports early in the growing season.

Mr. **Akaka**. Will you provide for the record and indicate the sources and the contributions?

Mr. **Kibler**. Yes; we would be glad to do that.

[The information follows:]

Commodity Group Reimbursements

The following table shows funds that SRS received from various commodity groups. In addition to the amounts shown below, SRS did some work in 1985 for the Catfish Farmers of America from funds received in 1984 which were carried over into 1985.

Source	1985	1986	1987
Almond Board of California	$48,600		
California Pistachio Commission	19,200		
Catfish Farmers of America		$10,000	$10,000
Lemon Administrative Committee	14,500	4,000	
American Malting Barley Association, Inc	14,800	14,800	14,800
Navel Orange Administrative Committee, Valencia Orange Administrative Committee	15,000	6,000	
Walnut Marketing Board	27,000		
Total SRS	139,100	34,800	24,800

PROBABILITY SURVEYS

Mr. **Akaka**. Another question is you mentioned the $450,000 for continuation of a shift of major crop surveys, probability based procedures. What is the reason for this change?

Mr. **Kibler**. We have had some major crops surveys where our samples do not represent a true cross section of farmers. We have a volunteer panel where we have just mailed to the same group of people over a long period of time and then analyzed their unique responses. With this procedure you don't quite get the assurance that your survey is giving you a total picture of what is going on for all farms. Over the last decade and a half, we have worked to gradually substitute for those kind of panel surveys a true situation, where we select a random sample so that every farmer has an opportunity to get selected for collecting our data.

It just makes the estimates more reliable and you can put a measure of their statistical veriability when they are done on a probability basis.

Mr. **Akaka**. Are you doing this with particular crops?

Mr. **Kibler**. We essentially have all our livestock surveys on a probability basis. These recent survey modifications are aimed more at the crop side and the $450,000 for 1987 completes one additional phase of this shift.

Mr. **Akaka**. I thank you for your fine testimony.

Mr. **Kibler**. Thank you.

Mr. **Akaka**. Our Chairman, Mr. Whitten, and Mrs. Smith have some questions to be answered for the record. Are there further questions?

[No response.]

Mr. **Akaka**. Thank you very much.

USER FEES

Mr. WHITTEN. Would you please list for the record all SRS reports that are now on a user fee basic and indicate the fee for each report?

RESPONSE. All SRS reports are available on a user fee basis either through the Crop Reporting Board, State Statistical Offices, or the Government Printing Office. Farmers and agribusinessmen who are respondents to our surveys, news media, congressional offices, and other Federal agencies still can receive reports without charge. Order forms listing our publications and fees are provided for the record.

[The information follows:]

Crop
Reporting
Board

November 1985

ORDER FORM
USDA CROP REPORTING BOARD PUBLICATIONS

(Publications available only from Crop Reporting Board)

FIELD CROP SERIES	Issued	Subscription Fee Domestic	Subscription Fee Foreign
☐ Hop Stocks	Mar. & Sept.	$2.50	$3.50
FRUIT & VEGETABLE SERIES			
☐ Cherry Production	June	1.25	1.75
☐ Cherry Utilization	October	1.25	1.75
☐ Citrus Fruits	September	1.50	2.00
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November 1985

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Note: For your convenience in ordering, we have grouped several publications together in packages. For example, when you subscribe to the Crop Production series you will receive 12 monthly copies and an annual summary of that report plus single copies of Prospective Plantings. If you have any questions about ordering, please call (202) 783-3238.

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PERSONNEL

Mr. **WHITTEN**. At the end of the fiscal year 1984 you had a ceiling on staff years of 1,156. You now have a ceiling of 1,090. Would you please describe how you were able to accomplish this reduction in staff years of 66 positions?

RESPONSE. It was accomplished through attrition and a hiring freeze. We have lifted the freeze and resumed hiring on a very selective basis filling only critical vacancies. Increased automation, streamlining of management support, and cooperative agreements for research have been used to reduce staff requirements. This policy, although successful in reducing staff years, has put some strain on all our units. The staff cannot be stretched indefinitely without some reduction in the quality of our products.

Mr. **WHITTEN**. Your ceiling for the end of fiscal year 1986 is 1,106. What is your current employment level as of the latest available date?

RESPONSE. The February employment report shows that we have 1,007 full-time and 130 part-time employees. We expect to use 1,090 staff years in 1986, 16 short of our 1986 ceiling. The 16 staff year reduction is associated with meeting the Gramm-Rudman cuts enacted.

OBJECT CLASSIFICATION TABLE

Mr. **WHITTEN**. In reviewing your object classification table, you are requesting $20 million for other services, an increase of $2 million over your actual costs for fiscal year 1985. What is the basis for this increase in your other services account?

RESPONSE. We are requesting an increase of $1,989,000 for "Other Services," of which about 21 percent or $409,000 is associated with requested program increases for 1987. The remaining $1,580,000 is associated with inflationary costs in 1986 and 1987 and with increased ADP requirements. ADP usage is increasing because of our new Integrated Survey Program (ISP) and expanded automation to offset staff year cuts without cutting more program.

LIST OF REPORTS

Mr. **WHITTEN**. Would you please provide for the record a listing of all of the reports issued by SRS, indicating their frequency?

RESPONSE. The Crop Reporting Board Catalog of Releases listing all reports to be published in 1986 is submitted for the record.

[The information follows:]

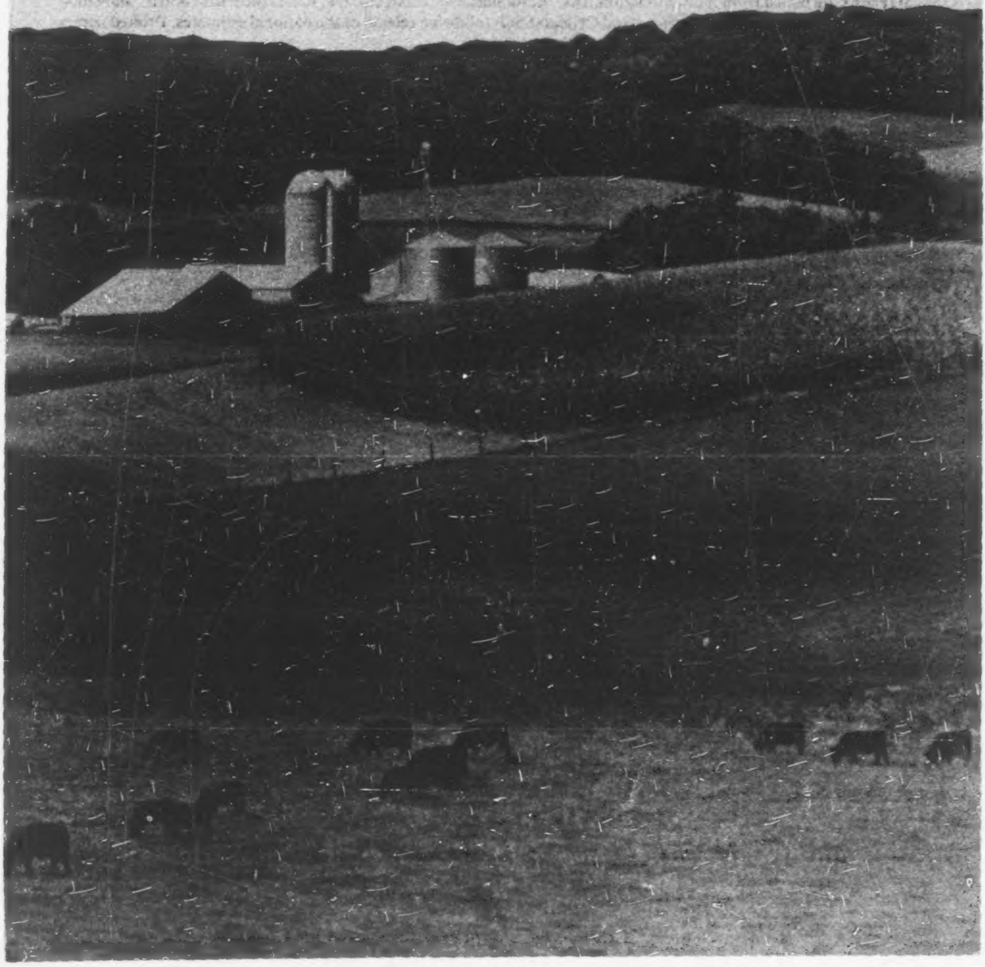
United States
Department of
Agriculture

Statistical
Reporting
Service

Washington DC
20250

Crop Reporting Board Catalog

1986 Releases



CROP REPORTING BOARD 1986 CATALOG

The Crop Reporting Board (CRB) estimates production, stocks, inventories, disposition, utilization, and prices of agricultural commodities, and such other items as labor, farm numbers, and fertilizer. This catalog outlines all of the estimates and the dates they are available.

National reports are issued from the Washington, D.C. headquarters at 3:00 p.m. ET, unless otherwise noted. Individual State reports are issued from the State Statistical Offices (SSO) following release of the national estimates. Printed copies of both CRB and SSO reports are available for a fee.

Use the order forms on pages 31 and 33 to subscribe to national reports. Note that some reports are sold through the Superintendent of Documents, Government Printing Office, while others may be purchased directly from the CRB. Be sure to use the correct order form. Single copies of all reports may be purchased from the CRB.

National reports are available through nationwide electronic networks immediately after release. Contact the CRB for information. The CRB also has a limited amount of agricultural data, including selected crop and livestock county estimates, on magnetic tape.

Subscription forms for State releases may be obtained from the appropriate SSO listed on page ii.

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Statistical Reporting Service December 1985

CONTACTS

Headquarters

Crops Room 5175, South Building, USDA	(202) 447—2127
Livestock, Dairy & Poultry Room 5897, South Building, USDA	(202) 447—6146
Prices of Agricultural Commodities, Farm Inputs, Indexes, Farm Labor and Farm Production Expenditures Room 5929, South Building, USDA	(202) 447—5446
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COLORADO
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Denver 80217

FLORIDA
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Orlando 32803

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Athens 30613

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Box 22159
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Box 1699
Boise 83701

ILLINOIS
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Springfield 62705

INDIANA
Purdue University
West Lafayette 47907

IOWA
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KANSAS
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Room 290
Topeka 66683

KENTUCKY
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Box 5524
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FIELD CROP REPORTS

Crop Production

Crop Production: Jan. 10, Feb. 10, Mar. 10, Apr. 10, May 9, June 10,
July 11, Aug. 12, Sept. 11, Oct. 10, Nov. 10, Dec. 10

January: Hay stocks on farms Jan. 1; indicated production of 1985-86 citrus fruits; papaya acreage and production; indicated cottonseed production; area planted and harvested, yield, and production of cotton and winter potatoes. Area harvested, yield, and production for tobacco by types and classes for 1985 and revised 1984. Revised acreage, yield, and production for 1985 spring potatoes.

February: Indicated production of 1985-86 citrus fruits papaya acreage and production; area harvested, yield, and production of winter potatoes as of Feb. 1.

March: Indicated production of 1985-86 citrus fruits; papaya acreage and production; area planted and harvested of spring potatoes; area harvested, yield per acre, and production of winter potatoes as of Mar. 1.

April: Condition of pastures and ranges; indicated production of 1985-86 citrus fruits; papaya acreage and production; area planted and harvested, yield, and production of spring potatoes as of Apr. 1. Monthly marketings of peanuts for 1985. Revisions for acreage, yield, and production of 1985 peanuts and summer potatoes; also revised price and value of 1985 peanuts.

May: Indicated area harvested, yield, production, and production by classes (U.S.) May 1 for winter wheat; indicated area harvested, yield per acre, and production of spring potatoes; indicated production of 1985-86 citrus fruits, peaches in 9 southern States, sweet cherries (California), and almonds; papaya acreage and production. Hay stocks on farms and condition of pastures and ranges.

Monthly marketings of tobacco by farmers for 1985 and cotton lint for 1984 crop. Revised 1985 acreage, yield, production, price, and value of cotton lint and tobacco (by types and classes). Also revised 1985 and final revisions for 1984 production, disposition, and value of cottonseed; revision of 1985 almond production. Revised acreage, yield, and production of 1985 crop bananas, papayas, and taro.

June: Winter wheat indicated area harvested, yield, production, and production by classes (U.S.) as of June 1; indicated production of peaches, Bartlett pears (Pacific Coast States), cherries (Western States), apricots, nectarines, plums (California), prunes (California), almonds and 1985-86 citrus fruits; papaya acreage and production; area harvested, yield, and production of spring potatoes; condition of pastures and ranges.

Revisions for acreage, yield, and production of 1985 sugarbeets and sugarcane, production of beet and cane sugar, sugarbeet pulp, and products of cane harvested for sugar; revised planted and harvested acres, yield, and production for 1985 sweetpotatoes. Revised 1985 production of Bartlett pears (Pacific Coast States) and prunes (California).

July: Planted area as of June 1 for corn, sorghum, soybeans, peanuts, and cotton; indicated area for harvest for corn for grain, sorghum for grain, soybeans for beans, peanuts for nuts, hay, tobacco, and sugarcane for sugar and seed; area planted and indicated for harvest for all wheat, winter wheat, durum and other spring wheat, oats, barley, rye, flaxseed, rice by length of grain classes, summer potatoes, sweetpotatoes, dry edible beans, sugarbeets, and sunflower.

Indicated yield and production as of July 1 for winter wheat, oats, barley, rye, flue-cured tobacco, and summer potatoes. Planted acres and indicated area harvested for fall potatoes. Percent of acreage planted for 1986 fall potatoes by types (11 major States). Acreage planted for certified seed potatoes (fall States).

Indicated production of winter wheat by classes (U.S.), commercial apples, apricots, peaches, pears, sweet cherries, tart cherries (Western States), nectarines, almonds, walnuts, and 1985-86 citrus fruits, grapes (California), prunes (California), and plums (California); papaya acreage and production; condition of pastures and ranges.

August: Indicated area harvested, yield, and production as of August 1 for corn for grain, all wheat, winter wheat, durum and other spring wheat, oats, barley, rye, flaxseed, cotton, rice, hay, sorghum for grain, dry edible beans, soybeans for beans, peanuts for nuts, summer potatoes, sweetpotatoes, tobacco by types and classes, sugarbeets, sugarcane for sugar and seed, and hops; indicated cottonseed production.

Indicated production of wheat and rice by classes (U.S.), commercial apples, peaches, pears, grapes, olives (California), prunes and plums (Idaho, Michigan, Oregon, Washington), walnuts; papaya acreage and production; condition of pastures and ranges; and index of production by groups of crops for United States.

Number of farms in operation and land in farms during 1986 and revisions for 1985.

September: Indicated area harvested, yield, and production as of Sept. 1 for corn for grain, all wheat, winter wheat, durum and other spring wheat, oats, barley, flaxseed, cotton, rice, sorghum for grain, dry edible beans, soybeans for beans, peanuts for nuts, summer potatoes, sweetpotatoes, all tobacco, sugarbeets, sugarcane for sugar and seed, and hops; indicated cottonseed production; 1986-87 lemons for Arizona and California (desert areas) and Navel oranges for California.

Indicated production of wheat and rice by classes (U.S.), pears, grapes, prunes and plums (Idaho, Michigan, Oregon, Washington), prunes (California), walnuts, and pecans; papaya acreage and production; condition of pastures and ranges. Index of production by groups of crops for United States. Revised production of 1985-86 coffee. Revised area planted and harvested, yield, and production of 1985 fall potatoes. Revised production for 1985-86 citrus and final for 1984-85 crop.

October: Indicated area harvested, yield, and production as of Oct. 1 for corn for grain, all wheat, durum and other spring wheat, flaxseed, cotton, rice, sorghum for grain, hay, dry edible beans, soybeans for beans, peanuts for nuts, sunflower, sweetpotatoes, all tobacco, sugarbeets, sugarcane for sugar and seed, and hops; indicated cottonseed production.

Indicated production of wheat and rice by classes (U.S.), commercial apples, grapes, prunes and plums (Idaho, Michigan, Oregon, Washington), filberts, pecans, and 1986-87 citrus fruits; papaya acreage and production. Index of production by groups of crops for United States and condition of pastures and ranges.

Revised acreage, yield, and production for soybeans and sunflower for 1985 and 1986 winter potatoes.

November: Indicated area harvested, yield, and production as of Nov. 1 for corn for grain, cotton, rice, sorghum for grain, dry edible beans, soybeans for beans, peanuts for nuts, all tobacco, sugarbeets, and sugarcane for sugar and seed; indicated cottonseed production. Planted acres, indicated area harvested, yield, and production of fall potatoes. Percent of 1986 fall potatoes planted by variety.

Indicated production of rice by classes (U.S.); production of prunes (California), filberts, and 1986-87 citrus fruits; papaya acreage and production. Index of production by groups of crops for United States and condition of pastures and ranges.

Cropping practice data for selected States; corn plant population, corn and soybean row width.

December: Indicated area harvested, yield, and production of burley tobacco, cotton, and dry edible beans; also planted acreage and production by commercial classes for dry edible beans. Indicated production of cottonseed and pecans and 1986-87 citrus fruits; papaya acreage and production. Monthly marketings of corn, sorghum, barley, oats, wheat, cotton, soybeans, flaxseed, hay, peanuts, and dry edible beans.

Revised acreage, yield, production, and production by commercial classes of dry edible beans for 1985.

Annual Summary: February 10

Acreage, yield, and production data for 1985 and revised for 1984. *(State estimates for fruits and nuts included in Noncitrus Fruits and Nuts——Annual.)*

Prospective Plantings: February 18

Expected plantings as of February 1 for corn, durum and other spring wheat, oats, barley, flaxseed, cotton, rice by length of grain classes, all sorghum, sweetpotatoes, dry edible beans, soybeans, sunflower, peanuts, and sugarbeets; acreage for harvest of hay and tobacco.

Small Grains: January 10

Acreage, yield, and production of wheat, oats, barley, rye, and rice for 1985, including revised data for 1984; also production of rice by length of grain classes.

Seeded acreage of 1986 winter wheat and rye crops.

Grain Stocks

Grain Stocks: February 10, April 29, June 27, October 30

February: Stocks of all wheat, durum wheat, corn, oats, barley, sorghum grain, soybeans, and sunflower on January 1, by States; revisions for 1985. Number and capacity of off-farm storage facilities on January 1, by states.

April: Stocks of all wheat, durum wheat, corn, oats, barley, sorghum grain, soybeans, and sunflower on April 1, by States.

June: Stocks of all wheat, durum wheat, corn, oats, barley, sorghum grain, soybeans, flaxseed, rye, and sunflower on June 1, by States. Also revisions of June 1, 1985 flaxseed and rye stocks.

October: Stocks of all wheat, durum wheat, corn, oats, barley, sorghum grain, and sunflower on October 1, by States.

Soybean Stocks: September 29

September 1 stocks of soybeans, by States.

Hop Stocks

Hop Stocks: March 20, September 18

Grower, dealer, and brewer stocks March 1 and September 1 for the United States. *(Must be ordered from CRB.)*

Peanut Stocks and Processing

Peanut Stocks and Processing: Jan. 27, Feb. 27, March 28, Apr. 28, May 28, June 27, July 28, Aug. 28, Sept. 29, Oct. 28, Nov. 28, Dec. 29

Stocks end of previous month; millings, production, and disappearance of milled products, previous month, for the United States. Season totals shown in August release.

Potatoes and Sweetpotatoes

Potatoes and Sweetpotatoes: September 26

Production, farm disposition, value, and stocks by States, and utilization of Irish potatoes for the United States, 1985 crop.

Potato Stocks: January 15, February 14, March 14, April 14, May 15, December 15

Grower, processor, and local dealer storage stocks in fall producing areas, first of the month by States. The December release also includes acreage, yield, and production estimates as of December 1, and potato size, harvest loss, and hills per acre in selected fall potato States.

Rice Stocks

Rice Stocks: February 10, April 29, August 28, October 30

Rough and milled rice stocks on and off farms, first of January, April, August, and October by States; and stocks by length of grain classes (5 Southern States and California). October report is for California only.

FRUIT AND VEGETABLE REPORTS

Celery

**Celery: Jan. 6, Feb. 6, Mar. 6, Apr. 4, May 6, June 6,
July 3, Aug. 6, Sept. 5, Oct. 6, Nov. 6, Dec. 5**

Monthly plantings and area growing in Florida, California, New York, and Michigan. (Released at 1:00 p.m. ET.)

Cherries

Cherry Production: June 25

Mid-June production forecast for 1986 crop, Great Lakes States. Release date tentative, depends on development of crop. *(Must be ordered from CRB.)*

Cherry Utilization: October 3

Production, utilization, price, and value of 1986 and revised 1985 crop. *(Must be ordered from CRB.)*

Citrus Fruits

Citrus Fruits: September 19

Production, use, price, and value 1985-86 crop and revised 1984-85 crop. *(Must be ordered from CRB.)*

Cranberries

Cranberries: August 19

Indicated 1986 production by States; utilization, price,and value for 1984 and 1985 crops, by States. Released at 1:00 p.m. ET. *(Must be ordered from CRB.)*

Filberts

Filbert Production: August 25

Mid-August production forecast for 1986 crop. Release date tentative, depends on development of crop. *(Must be ordered from CRB.)*

Noncitrus Fruits and Nuts

Annual Summary: January 27

Annual summary of production, use, price, and value 1985 crop, by States.

Midyear Supplement: July 10

Midyear supplement of production, use, price, and value 1985 crop, by States.

Tomatoes

Tomatoes: Weekly during season

Plantings and rate of harvest in Florida published Tuesdays during season or, if holiday conflicts, next business day. Order through the Florida State Statistical office.

Vegetables

Vegetables: Jan. 9, Mar. 7, Mar. 21, Apr. 9, May 8, June 9,
June 20, July 18, Aug. 8, Sept. 10, Oct. 9, Nov. 7

January: Winter season acres for harvest for celery, strawberries, tomatoes, broccoli, carrots, cauliflower, sweet corn, lettuce, and spring onions (Texas). Planted acres for strawberries and spring onions.

March: Intentions to plant summer onions; prospective area for harvest for asparagus (Calif.), spring onions, winter and spring strawberries; production forecast for spring onions (Texas) and winter strawberries.

March: Intentions to plant processing vegetables.

April: Spring season acres for harvest for celery, honeydew melons, tomatoes, broccoli, carrots, cauliflower, asparagus, sweet corn, and lettuce; area for harvest and production for spring onions (Texas) and strawberries (California).

May: Prospective area for harvest for nonstorage summer onions; production forecast for Texas spring onions.

June: Production forecast for spring onions and strawberries.

June: Preliminary planted area for processing crops.

July: Summer season acres for harvest for celery, honeydew melons, tomatoes, broccoli, carrots, cauliflower, sweet corn, and lettuce; prospective area for harvest for summer storage onions; production forecast for nonstorage summer onions; production forecasts for green peas for processing.

August: Production forecast for nonstorage summer onions and snapbeans for processing.

September: Preliminary area, yield, production, price, and value of asparagus, spring onions, and strawberries; production forecast for storage summer onions, processing sweet corn, and tomatoes for processing.

October: Fall season acres for harvest for celery, honeydew melons, tomatoes, broccoli, carrots, cauliflower, sweet corn, and lettuce; production forecast for storage summer onions and tomatoes for processing; acreage intentions for spring onions (Texas) for 1987.

November: Production forecast for cucumbers for pickles; pickle stocks.

Annual Summary: June 9

Final 1985 fresh market estimates; final utilization and production of asparagus, broccoli, carrots, cauliflower, and strawberries; utilization and stocks of storage onions. Monthly and season average fresh market vegetable prices. Republished estimates for processing crops.

Preliminary Summary: December 30

Preliminary 1986 fresh market estimates; final revisions for spring onions, asparagus, and strawberries; preliminary estimates for summer onions; preliminary utilization and production of asparagus, broccoli, carrots, cauliflower, and strawberries; final 1985 and preliminary 1986 processing vegetable estimates.

LIVESTOCK REPORTS

Cattle

Cattle: Feb. 10, July 25

February: Inventory number and value of all cattle and calves as of Jan. 1, 1986, and number of calves born during 1985, by States. Number of all cattle and number by classes July 1, 1985, United States. Number of operations keeping cattle and milk cows, by States and United States in 1985. Total number on feed January 1, 1986, by States and United States.

July: Inventory number of all cattle and calves and number by classes, United States, July 1, 1986. Expected 1986 calf crop, United States. Percentage distribution of cattle operations, and inventory by size groups in major States and United States.

Cattle on Feed: Jan. 24, Feb. 14, Mar. 14, Apr. 25, May 15, June 16,
July 25, Aug. 15, Sept. 15, Oct. 24, Nov. 14, Dec. 15

All issues show total number on feed, placements, marketings, and other disappearance for 7 selected States.

Total number on feed, number on feed by classes and weight groups, placements, marketings, other disappearance, and expected marketings for 13 States in January, April, July, and October reports. Number of feedlots and fed cattle marketings during 1985, by size groups, for 13 States in January report.

Hogs and Pigs

Hogs and Pigs: Mar. 21, June 23, Sept. 22, Dec. 22

March: Inventory and number by classes as of March 1; December 1985-February 1986 farrowings and pig crop; March-August 1986 farrowings indicated by breeding intentions for 10 States.

June: Inventory and number by classes as of June 1; December 1985-May 1986 farrowings and pig crop; June-November 1986 farrowings indicated by breeding intentions for 10 States and United States.

September: Inventory and number by classes as of September 1; June-August 1986 farrowings and pig crop; September 1986-February 1987 farrowings indicated by breeding intentions for 10 States.

December: Inventory and value and number by classes as of December 1; June-November 1986 farrowings and pig crop; December 1986-May 1987 farrowings indicated by breeding intentions, by States and United States. Number of operations keeping hogs, by States and United States. Percent of hog operations and inventory by size groups in 10 States and United States.

Livestock Slaughter

**Livestock Slaughter: Jan. 24, Feb. 21, Mar. 21, Apr. 25, May 23, June 23,
July 25, Aug. 22, Sept. 22, Oct. 24, Nov. 21, Dec. 22**

Number of head and live weight of cattle, calves, sheep and lambs, and hogs slaughtered in commercial plants, by States. Red meat production by species and lard production for the United States.

Annual Summary: March 14

Annual summary for total livestock slaughter and meat and lard production for 1985, by States and months. Number of cattle, calves, sheep and lambs, and hogs slaughtered in federally inspected plants, classified by number of head, for selected States and United States.

Meat Animals —— Production, Disposition, and Income

Meat Animals -- Production, Disposition, and Income: April 2

Estimates of cattle, calves, hogs, and sheep and lambs for 1984-85, by States. *(Must be ordered from CRB.)*

Sheep and Goats

Sheep and Goats: January 29

Inventory, value, and number by classes, by States, Jan. 1 *(goat estimates are for Texas only).* Lamb crop by States. Number of operations keeping sheep, by States and United States. *(Must be ordered from CRB.)*

Wool and Mohair

Wool and Mohair: March 26

Number of sheep shorn, wool production, price, and value, by States for 1985. Number of goats clipped, mohair production, and value for Texas in 1985. *(Must be ordered from CRB.)*

POULTRY REPORTS

Broiler Hatchery

Broiler Hatchery: Weekly

Number of broiler chicks placed and broiler-type eggs set for the previous week, 19 States. Issued every Wednesday or, if holiday conflicts, next business day.

Egg Products

**Egg Products: Jan. 3, Feb. 4, Mar. 3, Mar. 31, Apr. 30, May 30,
June 30, July 31, Sept. 2, Sept. 30, Oct. 31, Dec. 1**

Production of liquid, frozen, and dried egg products, under Federal inspection, by classes and utilization, United States.

Eggs, Chickens, and Turkeys

**Eggs, Chickens, and Turkeys: Jan. 28, Feb. 25, Mar. 24, Apr. 23, May 22, June 24,
July 23, Aug. 21, Sept. 23, Oct. 23, Nov. 24, Dec. 23**

Number of layers on hand, eggs per 100 layers, and total eggs produced during preceding month by type of flock, by major States and U.S. Egg production for all States included quarterly. Number of layers and eggs produced per 100 layers on the first of the month, United States. Commercial hatchery data on number of broiler and egg-type chicks hatched during preceding month and number of eggs in incubators on the first of the month, major States and U.S. Number of turkey poults placed preceding month and eggs in incubators first of current month, United States. Number of broiler-type pullet chicks for hatchery supply flocks *(total and domestic)* and number of egg- type pullet chicks placed in hatchery supply flocks, U.S.

This report also covers

August: Number of turkeys raised in 1985 and preliminary estimates for 1986.

Hatchery Production--Annual: March 24

Broiler and egg-type chicks hatched, by major States; poults placed, by geographic regions; turkey eggs in incubators, U.S. Broiler chicks placed and eggs set by weeks for the 19 commercial States.

Layers and Egg Production--Annual: January 28

Monthly estimates of the number of layers on hand, rate of lay and egg production for 1985. Quarterly estimates of number of layers, rate of lay and egg production for 1984 and 1985, by States. Potential layers by geographic regions *(summary of revised quarterly data)*; December 1, 1984 and 1985 chicken inventories and values, by States.

Poultry--Production, Disposition, and Income: April 18

Estimates of chickens, eggs, commercial broilers, and turkeys for 1984-85, by States.

**Turkey Hatchery: Jan. 13, Feb. 12, Mar. 12, Apr. 11, May 13, June 12,
July 10, Aug. 13, Sept. 12, Oct. 14, Nov. 13, Dec. 12**

Number of poults placed by type of breed during preceding month, U.S. Number of eggs in incubators on first of current month, by geographic regions. Data also published in Eggs, Chickens, and Turkeys. *(Not included in GPO subscription. Must be ordered separately from Crop Reporting Board.)*

Turkeys: January 13

Number of light and heavy breeds raised during preceding year and intended to be raised during current year, major States.

Poultry Slaughter

**Poultry Slaughter: Jan. 7, Feb. 4, Mar. 3, Apr. 1, May 1, June 2,
July 1, Aug. 1, Sept. 2, Oct. 1, Nov. 3, Dec. 4**

Number of head and pounds slaughtered under Federal inspection; quantity used in further processing, and estimated total poultry slaughtered, United States.

DAIRY REPORTS

Dairy Products

**Dairy Products: Jan. 6, Feb. 3, Mar. 5, Apr. 2, May 5, June 4,
July 2, Aug. 4, Sept. 4, Oct. 2, Nov. 4, Dec. 4**

Production of butter, cheese, frozen products, evaporated, condensed, and dry milk and whey products. Shipments, stocks, and prices of dry milk and whey products, major States and United States.

Annual Summary: May 5

Summary of production for manufactured dairy products for 1985 and revised data for 1984.

Milk Production

**Milk Production: Jan. 15, Feb. 14, Mar. 14, Apr. 16, May 14, June 13,
July 16, Aug. 14, Sept. 15, Oct. 16, Nov. 14, Dec. 12**

Number of milk cows, production per cow, and total milk production during preceding month, major States and United States, in all issues.

Jan., Apr., July, Oct.: Number of milk cows and production, quarterly, by States and U.S.; daily quantity and value of grain and concentrates fed quarterly, by States and United States.

February: Number of milk cows, production per cow, and milk production revised by months, 1984 and 1985, by States and United States. Number of milk cow operations, by major States and United States.

May: Annual feeding rates and ration values, by States and United States.

July: Percent of milk cow operations and inventory by size groups, major States and United States.

Milk--Production, Disposition, and Income: May 12

Estimates for 1984-85, by States.

PRICE AND EXPENDITURE REPORTS

Agricultural Prices

**Agricultural Prices: Jan. 31, Feb. 28, Mar. 31, Apr. 30, May 30, June 30,
July 31, Aug. 29, Sept. 30, Oct. 31, Nov. 28, Dec. 31**

Each report covers: Prices received by farmers for principal crops and livestock products; index numbers of prices received by farmers; prices for production items purchased by farmers; indexes of prices paid by farmers and parity prices.

January: Revised monthly and annual indexes of prices received and paid by farmers. Parity prices: Authority for, method of computation, and prices used in parity computations. Revised monthly prices for field crops, potatoes, and sweetpotatoes; season average prices for limes. Twelve-month average price for Upland cotton used to establish deficiency payment. Five-month average price for rice used to establish deficiency payment.

February: Revised monthly and annual average prices for meat animals and milk cows. Noncitrus fruits and nuts, monthly and season average prices.

March: Prices paid for feeder pigs, 10 major States. Revised monthly and annual average prices received for wool and mohair. Prices paid for fertilizer and limestone. Five-month average price for corn and sorghum used to establish deficiency payment.

April: Revised monthly and marketing year average prices for poultry and eggs; season average price for hops; revised monthly and season acreage prices for field crops. Prices paid for field seeds; revised monthly and annual milk prices and fat tests.

May: Prices paid for fertilizer and limestone. Season average prices for tobacco and cotton; seasonally adjusted prices for eggs and all milk sold to plants; poultry feed-price ratios; hog-corn ratios and milk feed-price ratios.

June: Prices paid for feeder pigs, 10 major States. Seasonally adjusted index of prices received; index of prices paid for production items of farm and nonfarm origin; monthly and season average prices for fresh market vegetables.

July: Parity prices: Authority for, method of computation, and prices used in parity computations. Parity prices and methods of computing, with season average prices; seasonal factors for adjusting egg and wholesale milk prices; season average prices for sugarbeets and sugarcane.

August: Description of indexes and relative importance of components and commodities that are included in the index of prices paid by farmers, including interest, taxes, and farm wage rates.

September: Prices paid for feeder pigs, 10 major States. Prices paid for field seeds. Revised monthly and season average prices for potatoes and sweetpotatoes; monthly prices and season average prices for citrus, by utilization groups; monthly prices of pears for fresh consumption.

October: Prices paid for fertilizer and limestone. Season average prices for cherries. Season average and monthly prices for Upland, American-Pima, and all cotton. Telephone cost and consumption, monthly bills, and cost per kilowatt hour of electricity.

November: Season average price for rice. Five-month average price for wheat, barley, and oats used to establish deficiency payment.

December: Prices paid for feeder pigs, 10 major States. Prices paid for fertilizer and limestone. Annual indexes with high-low comparisons; annual prices paid for feed and feeder livestock. Cattle grazing rates on privately owned nonirrigated land and prices paid index for beef cattle production.

Agricultural Price Summaries

Agricultural Prices--Annual Summary: June 30

Summary of indexes of prices received and paid by farmers; prices received for farm commodities and prices paid for production items, by States, for 1985. *(Not included in GPO subscription. Must be ordered separately from Crop Reporting Board.)*

Farm Production Expenditures--Summary: June 24

Preliminary results of the 1985 farm production expenditure survey, U.S. totals. *(Not included in GPO subscription. Must be ordered separately from Crop Reporting Board.)*

Farm Production Expenditures, 1985: July 22

Results of the farm production expenditure survey for 1985; final by farm production regions, U.S., and economic class. *(Must be ordered separately from Crop Reporting Board.)*

Crop Values

Crop Values: February 19

Season average prices and value of production of principal crops for 1985, including revised data for 1984. Note: State estimates for fruits and nuts included in Noncitrus Fruits and Nuts--Annual. *(Must be ordered from CRB.)*

Minn.—Wis. Manufacturing Grade Milk Price Series

Prices Received by Farmers for Manufacturing Grade Milk in Minnesota and Wisconsin: Jan. 3, Feb. 5, Mar. 5, Apr. 4, May 5, June 5, July 3, Aug. 5, Sept. 5, Oct. 2, Nov. 5, Dec. 5

These reports are issued through the Wisconsin State Statistical Office at 11:00 a.m. CT.

Prices Received Minnesota-Wisconsin Manufacturing Grade Milk, 1983-85: June 3

Minnesota-Wisconsin Manufacturing Grade Milk Price Series and Final Two-State Estimates for 1983-85. *(Must be ordered from CRB.)*

OTHER REPORTS

Agricultural Statistics

Agricultural Statistics: February

A comprehensive statistical report (approximately 600 pages) containing current and historical agricultural data, revised annually. Available only from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Ordering information may also be obtained from Crop Reporting Board Publications Unit.

Catfish

Catfish: Jan. 21, Feb. 20, Mar. 20, Apr. 21, May 20, June 20,
July 21, Aug. 20, Sept. 19, Oct. 20, Nov. 20, Dec. 19

Processors'monthly reports on farm-raised catfish. Farm products purchased, prices paid, inventory, quantity sold and price.

Cold Storage

Capacity of Refrigerated Warehouses 1985: February 28

Number of firms and capacity for national, State, and city totals, by public and private for general and apple storage. *(Not included in GPO subscription. Must be ordered separately from Crop Reporting Board.)*

Cold Storage: Jan. 24, Feb. 21, Mar. 21, Apr. 25, May 23, June 23,
July 25, Aug. 22, Sept. 22, Oct. 24, Nov. 21, Dec. 22

End-of-month stocks of meats, dairy products, poultry products, fruits, nuts, and vegetables.

Cold Storage--Annual Summary: March 19

Regional and national totals for end of month holdings of meats, dairy, and poultry products, fruit and fruit products, and vegetables for 1985.

Commercial Fertilizers

Commercial Fertilizers-Consumption: November 26

Annual consumption estimates for year ended June 30, 1986, revised 1985. *(Must be ordered from CRB.)*

Farm Labor

Farm Labor: Feb. 21, May 20, Aug. 19, Nov. 20

February: Farm labor data for California, Florida, Arizona-New Mexico, and Texas-Oklahoma during the week of January 12. *(Must be ordered from CRB.)*

May, August, November: Regional and national data for self-employed, unpaid and hired worker; and wage rates for the week including the 12th, for the months of April, July, and October. *(Must be ordered from CRB.)*

Floriculture Crops

Floriculture Crops: March 25

Area of production and sales of carnations, chrysanthemums, gladioli, anthuriums, roses, foliage plants, snapdragons, poinsettias, geraniums, lilies, hydrangeas, and bedding plants, major States, 1985, and intentions for 1986.

Mink

Mink: July 14

Number of pelts produced in 1985 and females bred to produce kits in 1986, by color class, major States and U.S. Average price and total value of pelt production in 1985, U.S. *(Must be ordered from CRB.)*

Mushrooms

Mushrooms: August 13

Area, production, price, and value, selected States, utilization for U.S., July 1, 1985-June 30, 1986 and intentions for coming year. *(Must be ordered from CRB.)*

Sugar Market Statistics

Sugar Market Statistics: February 19, May 16, August 18, November 17

Supply, distribution, and stocks of cane and beet sugar. *(Must be ordered from CRB.)*

Weather and Crops

Weekly Weather and Crop Bulletin: Wednesdays

Issued jointly by the Departments of Commerce and Agriculture summarizing weather and its effect on crops the previous week. Summaries and farm progress for 43 States and New England area. Yearly subscription rate and purchase orders are available from: NOAA/USDA, Agricultural Weather Facility, South Building—Room 5844, USDA, Washington, D.C. 20250.

1986 Crop Reporting Board Calendar

JANUARY

Monday	Tuesday	Wednesday	Thursday	Friday
		1 Holiday	2	3 Egg Products
6 Celery, Dairy Products	7 Poultry Slaughter	8	9 Vegetables	10 Crop Production, ● Small Grains
13 Turkey Hatchery, Turkeys	14	15 Potato Stocks, ○ Milk Production	16	17
20 Holiday	21 Catfish	22	23	24 Cattle on Feed, ○ Livestock Slaughter, Cold Storage
27 Noncitrus Fruits & Nuts-Annual; Peanut Stocks & Processing	28 Eggs, Chickens, & Turkeys; Layers & Egg Prod.-Annual	29 Sheep & Goats	30	31 Agricultural Prices

FEBRUARY

Monday	Tuesday	Wednesday	Thursday	Friday
3 Dairy Products	4 Egg Products, Poultry Slaughter	5	6 Celery	7
10 Crop Production, ● Crop Production Annual, Grain Stocks, Cattle, Rice Stocks	11	12 Turkey Hatchery	13	14 Milk Production, ○ Cattle on Feed, Potato Stocks
17 Holiday	18 Prospective ● Plantings	19 Crop Values, Sugar Market Statistics	20 Catfish	21 Livestock Slaughter, ○ Cold Storage, Farm Labor
24	25 Eggs, Chickens, & Turkeys	26	27 Peanut Stocks & Processing	28 Capacity of Refrigerated Warehouses, Agricultural Prices

MARCH

Monday	Tuesday	Wednesday	Thursday	Friday
3 Egg Products, Poultry Slaughter	4	5 Dairy Products	6 Celery	7 Vegetables
10 Crop Production ●	11	12 Turkey Hatchery	13	14 Potato Stocks, ○ Livestock Slaughter Annual, Milk Production, Cattle on Feed
17	18	19 Cold Storage-Annual	20 Hop Stocks, Catfish	21 Vegetables, ○ Hogs & Pigs, Livestock Slaughter, Cold Storage
24 Eggs, Chickens, & Turkeys; Hatchery Production-Annual	25 Floriculture Crops	26 Wool & Mohair	27	28 Peanut Stocks & Processing
31 Egg Products, Agricultural Prices				

JULY

Monday	Tuesday	Wednesday	Thursday	Friday
	1 Poultry Slaughter	2 Dairy Products	3 Celery	4 Holiday
7	8	9	10 Noncitrus Fruits & Nuts Midyear Supplement, Turkey Hatchery	11 Crop Production ●
14 Mink	15	16 Milk Production	17	18 Vegetables
21 Catfish	22 Farm Prod. Expenditures, [illegible]	23 Eggs, Chickens, & Turkeys	24	25 Cattle on Feed, ○ Cattle, Livestock Slaughter Cold Storage
28 Peanut Stocks & Processing	29	30	31 Egg Products, Agricultural Prices	

AUGUST

Monday	Tuesday	Wednesday	Thursday	Friday
				1 Poultry Slaughter
4 Dairy Products	5	6 Celery	7	8 Vegetables
11	12 Crop Production ●	13 Mushrooms, Turkey Hatchery	14 Milk Production	15 Cattle on Feed ○
18 Sugar Market Statistics	19 Cranberries, Farm Labor	20 Catfish	21 Eggs, Chickens, & Turkeys	22 Livestock Slaughter, ○ Cold Storage
25 Filbert Production (Tent.)	26	27	28 Peanut Stocks & ○ Processing, Rice Stocks	29 Agricultural Prices

SEPTEMBER

Monday	Tuesday	Wednesday	Thursday	Friday
1 Holiday	2 Egg Products, Poultry Slaughter	3	4 Dairy Products	5 Celery
8	9	10 Vegetables	11 Crop Production ●	12 Turkey Hatchery
15 Milk Production; ○ Cattle on Feed	16	17	18 Hop Stocks	19 Citrus Fruits; Catfish
22 Hogs & Pigs, ○ Livestock Slaughter, Cold Storage	23 Eggs, Chickens, & Turkeys	24	25	26 Potatoes & Sweetpotatoes
29 Peanut Stocks & ○ Processing, Soybean Stocks	30 Egg Products, Agricultural Prices			

APRIL

	1 Poultry Slaughter	2 Meat Animals-Prod., Disp., & Income; Dairy Products	3	4 Celery
7	8	9 Vegetables	10 Crop Production ●	11 Turkey Hatchery
14 Potato Stocks ○	15	16 Milk Production	17	18 Poultry Prod., Disp., & Income
21 Catfish	22	23 Eggs, Chickens, & Turkeys	24	25 Cattle on Feed, Livestock Slaughter, Cold Storage ○
28 Peanut Stocks & Processing	29 Grain Stocks, Rice Stocks ○	30 Egg Products, Agricultural Prices		

MAY

			1 Poultry Slaughter	2
5 Dairy Products, Dairy Products Annual	6 Celery	7	8 Vegetables	9 Crop Production ●
12 Milk Prod., Disp., & Income	13 Turkey Hatchery	14 Milk Production	15 Cattle on Feed, Potato Stocks ○	16 Sugar Market Statistics
19	20 Catfish Farm Labor	21	22 Eggs, Chickens, & Turkeys	23 Livestock Slaughter, Cold Storage ○
26 Holiday	27	28 Peanut Stocks & Processing	29	30 Egg Products, Agricultural Prices

JUNE

2 Poultry Slaughter	3 Minn. Wis. Mfg. Milk Final 1983-85	4 Dairy Products	5	6 Celery
9 Vegetables, Vegetables Annual	10 Crop Production ●	11	12 Turkey Hatchery	13 Milk Production
16 Cattle on Feed ○	17	18	19	20 Catfish, Vegetables
23 Hogs & Pigs, Livestock Slaughter Cold Storage ○	24 Eggs, Chickens, & Turkeys, Farm Prod. Expenditures-Summary Report	25 Cherry Production (Tent.)	26	27 Peanut Stocks & Processing, Grain Stocks ○
30 Egg Products, Agricultural Prices Monthly, Agricultural Prices Annual				

OCTOBER

		1 Poultry Slaughter	2 Dairy Products	3 Cherry Utilization
6 Celery	7	8	9 Vegetables	10 Crop Production ●
13 Holiday	14 Turkey Hatchery	15	16 Milk Production	17
20 Catfish	21	22	23 Eggs, Chickens, & Turkeys	24 Cattle on Feed, Livestock Slaughter, Cold Storage ○
27	28 Peanut Stocks & Processing	29	30 Grain Stocks, Rice Stocks ○	31 Eggs Products, Agricultural Prices

NOVEMBER

3 Poultry Slaughter	4 Dairy Products	5	6 Celery	7 Vegetables
10 Crop Production ●	11 Holiday	12	13 Turkey Hatchery	14 Milk Production, Cattle on Feed ○
17 Sugar Market Statistics	18	19	20 Catfish, Farm Labor	21 Livestock Slaughter Cold Storage ○
24 Eggs, Chickens, & Turkeys	25	26 Commercial Fertilizers Consumption	27 Holiday	28 Agricultural Prices, Peanut Stocks & Processing

DECEMBER

1 Egg Products	2	3	4 Dairy Products, Poultry Slaughter	5 Celery
8	9	10 Crop Production ●	11	12 Turkey Hatchery Milk Production
15 Potato Stocks, Cattle on Feed ○	16	17	18	19 Catfish
22 Hogs & Pigs, Livestock Slaughter, Cold Storage ○	23 Eggs, Chickens, & Turkeys	24	25 Holiday	26
29 Peanut Stocks & Processing	30 Vegetables Preliminary	31 Agricultural Prices		

CROP REPORTING BOARD● STATISTICAL REPORTING SERVICE ● U.S. DEPARTMENT OF AGRICULTURE ● WASHINGTON, DC 20250

Lockup: ○1:15 - 3:00 p.m. ●8:30 - 3:00 p.m.

INDEX OF ESTIMATES

This index identifies the Crop Reporting Board publications carrying estimates of agricultural commodities and related items. The index is designed to assist data users interested in specific aspects of the agricultural estimating program.

ITEM	REPORT AND MONTH OF ISSUE
Almonds	Noncitrus Fruits and Nuts-Jan. annual and July midyear supplement; Crop Production-May, June, July (also Rev. in May).
Apples	Agricultural Prices-monthly and June annual; Noncitrus Fruits and Nuts-Jan. annual and July midyear supplement; Crop Production-July, Aug., Oct.
Apricots	Noncitrus Fruits and Nuts-Jan. annual; Crop Production-June, July; Agricultural Prices-Feb.
Asparagus	Vegetables - Mar., Apr., Sept., Dec., and June annual.
Avocados	Noncitrus Fruits and Nuts-Jan. annual and July midyear supplement.
Bananas	Noncitrus Fruits and Nuts-Jan. annual; Crop Production-May (Rev.).
Barley	
Acreage	Crop Production-July, Aug., Sept., and Feb. annual; Small Grains - Jan; Prospective Plantings-Feb.
Monthly Marketings	Crop Production-Dec.
Prices	Agricultural Prices-monthly and June annual; Crop Values-Feb.
Production	Crop Production-July, Aug., Sept., and Feb. annual; Small Grains - Jan.
Stocks	Grain Stocks-Feb., Apr., June, Oct.
Value	Crop Values-Feb.
Beans, Dry edible	
Acreage	Crop Production-July, Aug., Sept., Oct., Nov., Dec., and Feb. annual; Prospective Plantings-Feb.
Monthly Marketings	Crop Production-Dec.
Prices	Agricultural Prices-monthly and June annual; Crop Values-Feb.
Production	Crop Production-Aug., Sept., Oct., Nov., Dec., and Feb. annual.
Value	Crop Values-Feb.
By Commercial Classes	Crop Production-Dec., and Feb. annual.
Beans, snap	
Processing	Vegetables-Mar., June, Aug., and Dec.
Broccoli	Vegetables-Jan., Apr., July, Oct., Dec., and June annual.
Butter	
Plants, number	Dairy Products-May annual.
Production	Dairy Products-monthly and May annual.
Carrots	Vegetables-Jan., Apr., July, Oct., Dec., and June annual; Agricultural Prices-monthly.
Catfish	
Production, price and sales	Catfish-monthly.

Cattle and Calves	
Beef products	Cold Storage-monthly.
Calf Crop	Cattle-Feb., July; Meat Animals-Apr.
Deaths	Meat Animals-Apr.
Farms (cattle operations)	Cattle-Feb.
By size groups	Cattle-July.
Feedlots, number by size	Cattle on Feed-Jan.
Inshipments	Meat Animals-Apr.
Inventory	Cattle-Feb., July; Meat Animals-Apr.
By size groups	Cattle-July.
Marketings	Cattle on Feed-monthly, quarterly; Meat Animals-Apr.
On feed	Cattle on Feed-monthly, quarterly; Cattle-Feb.
Placements	Cattle on Feed-monthly, quarterly.
Prices	Agricultural Prices-monthly and June annual; Meat Animals-Apr.
Production and gross income	Meat Animals-Apr.
Slaughter	(See Slaughter.)
Value of home consumption, production and sales	Meat Animals-Apr.
Value of inventory	Cattle-Feb.
Cauliflower	Vegetables-Jan., Apr., July, Oct., Dec., and June annual.
Celery	Agricultural Prices-monthly; Celery-monthly; Vegetables-Jan., Apr., July, Oct., Dec., and June annual.
Cheese, all types	
Plants, number	Dairy Products-May annual.
Production	Dairy Products-monthly and May annual.
Cheese, American	
Plants, number	Dairy Products-May annual.
Production	Dairy Products-monthly and May annual.
Cherries	Noncitrus Fruits and Nuts-Jan. annual; Crop Production-May (for California), June (for Western States), and July; Cherry Production-June; Cherry Utilization- Oct.; Agricultural Prices-Feb., and Oct.
Chickens and Broilers	
Cash receipts	Poultry-Production, Disposition, and Income-Apr.
Chicks hatched	Eggs, Chickens, and Turkeys-monthly; Hatchery Production-Mar.
Chicks placed	Broiler Hatchery-weekly; Hatchery Production-Mar.
Chick prices	Agricultural Prices-monthly and June annual.
Disposition	Poultry-Production, Disposition, and Income-Apr.
Feed-price ratio	Agricultural Prices-monthly.
Income and price	Poultry-Production, Disposition, and Income-Apr; Agricultural Prices-monthly and June annual.
Inventory	Layers and Egg Production-Jan.; Poultry-Production, Disposition, and Income-Apr.
Layers	
Forced molt	Eggs, Chickens, and Turkeys-monthly.
Inventory	Eggs, Chickens, and Turkeys-monthly; Layers and Egg Production-Jan.
Potential layers	Layers and Egg Production-Jan.; Eggs, Chickens, and Turkeys-Mar., June, Sept., Dec.
Poultry products	Cold Storage-monthly; Cold Storage Annual Summary-Mar.
Prices	Agricultural Prices-monthly and June annual; Poultry-Production, Disposition, and Income-Apr.
Production	Poultry-Production, Disposition, and Income-Apr.
Pullets not of laying age	Layers and Egg Production-Jan.
Pullets placed for Hatchery Supply flocks	Eggs, Chickens, and Turkeys-monthly.
Rate of lay	Eggs, Chickens, and Turkeys-monthly; Layers and Egg Production-Jan.
Sales	Poultry-Production, Disposition, and Income-Apr.
Slaughter	Poultry Slaughter-monthly.
Value of home consumption, production, and sales	Poultry-Production, Disposition, and Income-Apr.
Value of inventory	Layers and Egg Production-Jan.

Citrus	Agricultural Prices-monthly; Crop Values-Feb.; Citrus Fruits-Sept.; Crop Production-Sept. (Rev.); see also grapefruit, lemons, limes, oranges, tangelos, tangerines, and temples.
Coffee	Crop Production-Sept. (Rev.), and Feb. annual; Crop Values-Feb.
Corn, field	
Acreage	Crop Production-July, Aug., Sept., Oct., Nov., and Feb. annual; Prospective Plantings- Feb.
Monthly Marketings	Crop Production-Dec.
Prices	Agricultural Prices-monthly and June annual; Crop Values-Feb.
Production	Crop Production-Aug., Sept., Oct., Nov., and Feb. annual.
Stocks	Grain Stocks-Feb., Apr., June, Oct.
Value	Crop Values-Feb.
Corn, sweet	
Fresh market	Vegetables-Jan., Apr., July, Oct., Dec., and June annual.
Prices	Agricultural Prices-monthly; Vegetables-Dec., and June annual.
Processing	Vegetables-Mar., June, Sept., and Dec.
Cotton	
Acreage	Crop Production-May (Rev.), July, Aug., Sept., Oct., Nov., Dec., Jan., and Feb. annual; Prospective Plantings-Feb.
Monthly Marketings	Crop Production-May, Dec.
Prices	Agricultural Prices-monthly and June Annual; Crop Values-Feb.; Crop Production-May.
Production	Crop Production-May (Rev.), Aug., Sept., Oct., Nov., Dec., Jan., and Feb. annual.
Value	Crop Values-Feb.; Crop Production-May (Rev.).
Cottonseed	
Disposition	Crop Production-May (Rev.).
Prices	Agricultural Prices-monthly and June annual; Crop Values-Feb.; Crop Production-May (Rev.).
Production	Crop Production-May (Rev.), Aug., Sept., Oct., Nov., Dec., Jan., and Feb. annual.
Value	Crop Values-Feb.; Crop Production-May (Rev.)
Cows, milk	
Grain fed daily per cow	Milk Production-quarterly.
Value concentrates fed	Milk Production-quarterly.
Inventory	Milk Production-monthly; Cattle-Feb.; Milk-Production, Disposition, and Income-May.
Percent by size groups	Milk Production-July.
Prices	Agricultural Prices-Jan., Apr., July, Oct., and June annual.
Production	Milk Production-monthly; Milk-Production, Disposition, and Income-May.
Cranberries	Noncitrus Fruits and Nuts-Jan. annual; Cranberries-Aug.
Cucumbers for Pickles	Vegetables-Nov.
Dairy Products	
Farm marketings, income, and value	Milk-Production, Disposition, and Income-May.
Dairy Products, frozen	
Plants, number	Dairy Products-May annual.
Production	Dairy Products-monthly and May annual.
Dates	Noncitrus Fruits and Nuts-Jan. annual and July midyear supplement.

Eggs	
Cash receipts	Poultry-Production, Disposition, and Income-Apr.
Disposition	Poultry-Production, Disposition, and Income-Apr.
Egg products	Egg Products-monthly; Cold Storage-monthly; Cold Storage Annual Summary-Mar.
Eggs set	Broiler Hatchery-weekly; Hatchery Production-Mar.; Eggs, Chickens, and Turkeys-monthly.
Feed-price ratio	Agricultural Prices-monthly.
Income	Poultry-Production, Disposition, and Income-Apr.
Eggs in incubators	Eggs, Chickens, and Turkeys-monthly; Turkey Hatchery-monthly; Hatchery Production-Mar.
Prices	Agricultural Prices-monthly and June annual; Poultry-Production, Disposition, and Income-Apr.
Processing	Egg Products-monthly.
Production	Eggs, Chickens, and Turkeys-monthly; Layers and Egg Production-Jan.; Poultry-Production, Disposition, and Income-Apr.
Farms	
Cattle operations	Cattle-Feb.
By size groups	Cattle-July.
Farm production expenditures	Farm Production Expenditures-June and July.
Hog operations	Hogs and Pigs-Dec.
By size groups	Hogs and Pigs-Dec.
Milk cow operations	Cattle-Feb.; Milk Production-Feb.
Percent by size groups	Milk Production-July.
Numbers and land area	Crop Production-Aug.
Sheep operations	Sheep and Goats-Jan.
Feed (Fed to Milk Cows)	
Quantity and value (Annual)	Milk Production-May.
Feed-price ratios	Agricultural Prices-monthly.
Fertilizer	
Consumption	Commercial Fertilizers-Nov.
Prices	Agricultural Prices-Mar., May, Oct., Dec.
Figs	Noncitrus Fruits and Nuts-Jan. annual and July midyear supplement; Agricultural Prices-Feb.
Filberts	Noncitrus Fruits and Nuts-Jan. annual and July midyear supplement; Crop Production-Sept., Oct., Nov.; Filbert Production-Aug.
Flaxseed	
Acreage	Crop Production-July, Aug., Sept., Oct., and Feb. annual; Prospective Plantings-Feb.
Monthly Marketings	Crop Production-Dec.
Prices	Agricultural Prices-monthly and June annual; Crop Values-Feb.
Production	Crop Production-Aug., Sept., Oct., and Feb. annual.
Stocks	Grain Stocks-June.
Value	Crop Values-Feb.
Floriculture Crops	
Area of Production and Sales	Floriculture Crops-Mar.
Goats	
Average clip per goat and number clipped	Wool and Mohair-Mar.
Inventory and value	Sheep and Goats-Jan.
Grapefruit	Agricultural Prices-monthly; Crop Production-Jan., Feb., Mar., Apr., May, June, July, Sept. (Rev.), Oct., Nov., Dec.; Crop Values-Feb.; Citrus Fruits-Sept.
Grapes	Noncitrus Fruits and Nuts-Jan. annual and July midyear supplement; Agricultural Prices-Feb.; Crop Production-July (for California grapes), Aug., Sept., Oct.
Grain Storage Facilities, Off-Farm	
Number and Capacity	Grain Stocks-Feb.

Hay	
Acreage	Crop Production-July, Aug., Oct., and Feb. annual; Prospective Plantings-Feb.
Monthly Marketings	Crop Production-Dec.
Prices	Agricultural Prices-monthly and June annual; Crop Values-Feb.
Production	Crop Production-Aug., Oct., and Feb. annual.
Stocks	Crop Production-Jan., May.
Value	Crop Values-Feb.
Hogs and Pigs	
Deaths	Meat Animals-Apr.
Farms (hog operations)	Hogs and Pigs-Dec.
By size groups	Hogs and Pigs-Dec.
Farrowings	Hogs and Pigs-Mar., June, Sept., Dec.
Inshipments	Meat Animals-Apr.
Inventory	Hogs and Pigs-Mar., June, Sept., Dec.; Meat Animals-Apr.
By size groups	Hogs and Pigs-Dec.
Marketings	Meat Animals-Apr.
Pig crop	Hogs and Pigs-Mar., June, Sept., Dec.; Meat Animals-Apr.
Pork products	Cold Storage-monthly.
Prices	Agricultural Prices-monthly and June annual; Meat Animals-Apr.
Feeder pig prices	Agricultural Prices-Mar., June, Sept., Dec., and June annual.
Production and gross income	Meat Animals-Apr.
Slaughter	(See Slaughter.)
Value of home consumption, production, and sales	Meat Animals-Apr.
Value of inventory	Hogs and Pigs-Dec.
Honeydew Melons	Vegetables-Apr., July, Oct., Dec., and June annual.
Hops	Crop Values-Feb.; Crop Production-Aug., Sept., Oct., and Feb. annual; Hop Stocks-Mar., Sept.; Agricultural Prices-Apr.
Kiwifruit	Noncitrus Fruits and Nuts-Jan. annual and July midyear supplement.
Labor, farm	Farm Labor-Feb., May, Aug., Nov.
Lemons	Agricultural Prices-monthly; Crop Production-Jan., Feb., Mar., Apr., May, June, July, Sept. (Ariz. and Desert areas for California), Oct., Nov., Dec. (also Rev. in Sept.); Crop Values-Feb.; Citrus Fruits-Sept.
Lettuce	Agricultural Prices-monthly; Vegetables-Jan., Apr., July, Oct., Dec., and June annual.
Limes	Crop Values-Feb.; Citrus Fruits-Sept.; Agricultural Prices-monthly.
Macadamia Nuts	Noncitrus Fruits and Nuts-Jan. annual and July midyear supplement.
Milk	
Milkfat test	Agricultural Prices-monthly and June annual.
Plants, manufacturing	Dairy Products-May annual.
Prices	Prices Received by Farmers for Manufacturing Grade Milk in Minnesota and Wisconsin-monthly; Agricultural Prices-monthly and June annual; Milk-Production, Disposition, and Income-May; Prices Received Minnesota-Wisconsin Manufacturing Grade Milk-June.
Production	Milk Production-monthly; Milk-Production, Disposition, and Income-May; Dairy Products-May annual.
Shipments	Dairy Products-monthly.
Stocks	Dairy Products-monthly.
Supply	Milk-Production, Disposition, and Income-May.
Utilization	Milk-Production, Disposition, and Income-May.
Milk, equivalent used in manufacturing dairy products	
Skim	Dairy Products-May annual.
Whole	Dairy Products-May annual.

Mink	Mink-July.
Mohair	
Average clip per goat and number clipped, prices, production and value	Wool and Mohair-Mar.
Mushrooms	Mushrooms-Aug.
Nectarines	Noncitrus Fruits and Nuts-Jan. annual; Crop Production-June, July; Agricultural Prices-Feb.
Oats	
Acreage	Small Grains-Jan.; Prospective Plantings-Feb.; Crop Production-July, Aug., Sept., and Feb. annual.
Monthly Marketings	Crop Production-Dec.
Prices	Agricultural Prices-monthly and June annual; Crop Values-Feb.
Production	Crop Production-July, Aug., Sept., and Feb. annual; Small Grains-Jan.
Stocks	Grain Stocks-Feb., Apr., June, Oct.
Value	Crop Values-Feb.
Olives	Noncitrus Fruits and Nuts-Jan. annual and July midyear supplement; Agricultural Prices-Feb.; Crop Production-Aug.
Onions	
Prices	Agricultural Prices-monthly; Vegetables-Dec., and June annual.
Spring	Vegetables-Jan., Mar., Apr., May, Sept., Oct., Dec., and June annual.
Summer	Vegetables-Mar., May, July, Aug., Sept., Oct., Dec., and June annual.
Oranges	Agricultural Prices-monthly; Crop Production-Jan., Feb., Mar., Apr., May, June, July, Sept. (Navel oranges for Calif.), Oct., Dec. (also Rev. in Sept.); Crop Values-Feb.; Citrus Fruits-Sept.
Papayas	Noncitrus Fruits and Nuts-Jan. annual; Crop Production-Jan. through Dec., also revisions in May.
Pasture and Range	
Condition	Crop Production-Apr., May, June, July, Aug., Sept., Oct., Nov.
Peaches	Noncitrus Fruits and Nuts-Jan. annual; Agricultural Prices-monthly and June annual; Crop Production-May (for southern States), June, July and Aug.
Peanuts	
Acreage	Crop Production-Apr. (Rev.), July, Aug., Sept., Oct., Nov., and Feb. annual; Prospective Plantings-Feb.
Monthly Marketings	Crop Production-Apr., Dec.
Prices	Crop Values-Feb.; Agricultural Prices-monthly and June annual; Crop Production-Apr. (Rev.).
Production	Crop Production-Apr. (Rev.), Aug., Sept., Oct., Nov., and Feb. annual.
Stocks	Peanuts Stocks and Processing-monthly.
Value	Crop Values-Feb.; Crop Production-Apr. (Rev.).
Pears	Agricultural Prices-monthly; Noncitrus Fruits and Nuts-Jan. annual and July midyear supplement; Crop Production-June (for Bartlett), July, Aug., Sept.
Peas, green	
Processing	Vegetables-Mar., June, July, and Dec.
Pecans	Noncitrus Fruits and Nuts-Jan. annual and July midyear supplement; Crop Production-Sept., Oct., Dec.
Peppermint Oil	
Acreage for Oil	Crop Production-Feb. annual.
Prices	Crop Values-Feb.
Production	Crop Production-Feb. annual.
Value	Crop Values-Feb.
Pickle Stocks	Vegetables-Nov.
Pineapples	Noncitrus Fruits and Nuts-Jan. annual and July midyear supplement.

Pistachios	Noncitrus Fruits and Nuts-Jan. annual and July midyear supplement
Plums (Calif.)	Noncitrus Fruits and Nuts-Jan. annual; Crop Production-June, July; Agricultural Prices-Feb.
Pomegranates	Noncitrus Fruits and Nuts-Jan. annual; Agricultural Prices-Feb.
Potatoes	
All (U.S.)	
Acreage	Crop Production-July, Sept. (Rev.), Nov., and Feb. annual.
Disposition, Utilization, and Value	Potatoes and Sweetpotatoes-Sept.
Monthly Marketings	Potatoes and Sweetpotatoes-Sept.
Production	Crop Production-Sept. (Rev.), Nov., and Feb. annual.
Prices	Crop Values-Feb.; Potatoes and Sweetpotatoes-Sept.; Agricultural Prices-monthly and June annual. Revisions: Agricultural Prices-Jan., Sept.
Fall	
Acreage	Crop Production-July, Sept. (Rev.), Nov., and Feb. annual; Potato Stocks-Dec.
Disposition, Utilization, and Value	Potatoes and Sweetpotatoes-Sept.
Monthly Marketings	Potatoes and Sweetpotatoes-Sept.
Production	Crop Production-Sept. (Rev.), Nov., and Feb. annual; Potato Stocks-Dec.
Stocks	Potato Stocks-Jan., Feb., Mar., Apr., May, Dec.; Potatoes and Sweetpotatoes-Sept.
Prices	Potatoes and Sweetpotatoes-Sept.
Spring	
Acreage	Crop Production-Jan. (Rev.), Mar., Apr., May, June, and Feb. annual.
Disposition, Utilization, and Value	Potatoes and Sweetpotatoes-Sept.
Production	Crop Production-Jan. (Rev.), Apr., May, June, and Feb. annual.
Prices	Potatoes and Sweetpotatoes-Sept.
Summer	
Acreage	Crop Production-Apr. (Rev.), July, Aug., Sept., and Feb. annual.
Disposition, Utilization, and Value	Potatoes and Sweetpotatoes-Sept.
Production	Crop Production-Apr. (Rev.), July, Aug., Sept., and Feb. annual.
Prices	Potatoes and Sweetpotatoes-Sept.
Winter	
Acreage	Crop Production-Jan., Feb., Mar., Oct. (Rev.), and Feb. annual.
Disposition, Utilization, and Value	Potatoes and Sweetpotatoes-Sept.
Production	Crop Production-Jan., Feb., Mar., Oct. (Rev.), and Feb. annual.
Prices	Potatoes and Sweetpotatoes-Sept.
Parity Prices	Agricultural Prices-monthly and specified months.
Selected commodities	Monthly.
Method of computation	Jan., July.
Average prices used for parity computations	Jan.
Prices received by farmers	For specific commodity, refer to individual crop or livestock item.

Prices used to establish deficiency payments	
Barley, five month average	Agricultural Prices-Nov.
Corn, five month average	Agricultural Prices-Mar.
Cotton (Upland), twelve month average	Agricultural Prices-Jan.
Oats, five month average	Agricultural Prices-Nov.
Rice, five month average	Agricultural Prices-Jan.
Sorghum, five month average	Agricultural Prices-Mar.
Wheat, five month average	Agricultural Prices-Nov.
Prices received, indexes	Agricultural Prices-monthly and June annual. Historical index series in Agricultural Prices-Annual Summary.
Crops, all	
Food commodities	
Livestock and products	
Seasonally adjusted commodities	
Prices paid by farmers	Agricultural Prices-monthly, specified months and June annual. State or regional prices in Agricultural Prices-June annual summary.
Building materials	Feb., Apr., June, Aug., Oct., Dec.
Electricity	Oct.
Farm machinery	Mar., June, Sept.
Farm supplies	Feb., May, Aug., Nov.
Feed	Monthly.
Annual averages	May, Dec.
Feed-price ratio	Monthly.
Fertilizer	Mar., May, Oct., Dec.
Fuel	Monthly.
Motor Supplies	Jan., Apr., July, Oct.
Pesticides	Mar., May.
Private lease rate	Dec.
Seeds, field	Apr., Sept.
Telephone	Oct.
Tractors	Mar., June, Sept.
Trucks	May, Nov.
Prices paid, indexes	Agricultural Prices-monthly, specified months and June annual. Historical index series in Agricultural Prices-Annual Summary.
Agricultural chemicals	Mar., May.
Autos and trucks	May, Nov.
Building and fencing materials	Feb., Apr., May, June, Aug., Oct., Nov., Dec.
Commodities and services	Monthly.
Consumer Price Index	Monthly. Bureau of Labor Statistics.
Farm and motor supplies	Jan., Feb., Apr., May, July, Aug., Oct., Nov.
Farm and non-farm origin	June.
Farm services and cash rent	Jan.
Farm wage rates	Aug.
Feed	Monthly.
Feeder livestock	Monthly.
Fertilizer	Mar., May, Oct., Dec.
Fuels and energy	Monthly.
Interest	Jan.
Other machinery	Mar.
Production	Monthly.
Production, interest, taxes, and wages	Monthly.
Seed	Apr., Sept.
Taxes	Jan.
Tractors and self-propelled machinery	Mar., June, Sept.

Prunes (Calif.)	Noncitrus Fruits and Nuts-Jan. annual; Crop Production-June, July, Sept., Nov. (also revisions in June); Agricutural Prices-Feb.
Prunes and Plums	Noncitrus Fruits and Nuts-Jan. annual; Crop Production-Aug., Sept., Oct.; Agricultural Prices-Feb.
Rice	
Acreage	Crop Production-July, Aug., Sept., Oct., Nov., and Feb. annual; Prospective Plantings-Feb.; Small Grains-Jan.
By Length of Grain Classes	Prospective Plantings-Feb.; Crop Production-Aug., Sept., Oct., Nov., (U.S.) and Feb. annual; Small Grains-Jan.
Prices	Agricultural Prices-monthly and June annual; Crop Values-Feb.
Production	Crop Production-Aug., Sept., Oct., Nov. and Feb. annual; Small Grains-Jan.
Stocks	Rice Stocks-Feb., Apr., Aug., and Oct. (Calif. only).
Value	Crop Values-Feb.
Rye	
Acreage	Crop Production-July, Aug., and Feb. annual; Small Grains-Jan.
Prices	Crop Values-Feb.; Agricultural Prices-April.
Production	Crop Production-July, Aug., and Feb. annual; Small Grains-Jan.
Stocks	Grain Stocks-June.
Value	Crop Values-Feb.
Sheep and Lambs	
Deaths	Meat Animals-Apr.
Farms (sheep operations)	Sheep and Goats-Jan.
Inshipments	Meat Animals-Apr.
Inventory	Sheep and Goats-Jan.; Meat Animals-Apr.
Lamb and mutton products	Cold Storage-monthly.
Lamb crop	Sheep and Goats-Jan.; Meat Animals-Apr.
Marketings	Meat Animals-Apr.
Prices	Agricultural Prices-monthly and June annual; Meat Animals-Apr.
Production and gross income	Meat Animals-Apr.
Shorn, number	Wool and Mohair-Mar.
Slaughter	(See Slaughter.)
Value of home consumption, production, and sales	Meat Animals-Apr.
Value of inventory	Sheep and Goats-Jan.
Slaughter	
Commercial	Livestock Slaughter-monthly and Mar. annual.
Federal inspection	Livestock Slaughter-monthly and Mar. annual.
Plants, number	Livestock Slaughter-Mar. annual.
Poultry	Poultry Slaughter-monthly.
Red meat production	Livestock Slaughter-monthly and Mar. annual.
Sorghum	
Acreage	Crop Production-July, Aug., Sept., Oct., Nov., and Feb. annual; Prospective Plantings-Feb.
Monthly Marketings	Crop Production-Dec.
Prices	Agricultural Prices-monthly and June annual; Crop Values-Feb.
Production	Crop Production-Aug., Sept., Oct., Nov., and Feb. annual.
Stocks	Grain Stocks-Feb., Apr., June, Oct.
Value	Crop Values-Feb.
Soybeans	
Acreage	Crop Production-July, Aug., Sept., Oct. (also includes Rev. for Prev. Year.), Nov., and Feb. annual; Prospective Plantings-Feb.
Monthly Marketings	Crop Production-Dec.
Prices	Agricultural Prices-monthly and June annual; Crop Values-Feb.
Production	Crop Production-Aug., Sept., Oct. (also includes Rev. for Prev. Year.), Nov., and Feb. annual.
Stocks	Grain Stocks-Feb., Apr., June; Soybean Stocks-Sept.
Value	Crop Values-Feb.

Spearmint Oil	
Acreage for Oil	Crop Production-Feb. annual.
Prices	Crop Values-Feb.
Production	Crop Production-Feb. annual.
Value	Crop Values-Feb.
Statistics, agricultural	Agricultural Statistics-annually.
Storage, cold	Cold Storage-monthly.
Regional	Cold Storage Annual Summary-Mar.
Strawberries	Vegetables-Jan., Mar., Apr., Sept., Dec., and June annual; Agricultural Prices-monthly.
Sugar	
Distribution	Sugar Market Statistics-Feb., May, Aug., Nov.
Stocks	Sugar Market Statistics-Feb., May, Aug., Nov.
Supply	Sugar Market Statistics-Feb., May, Aug., Nov.
Sugarbeets	
Acreage	Crop Production-June (Rev.), July, Aug., Sept., Oct., Nov., and Feb. annual; Prospective Plantings-Feb.
Prices	Crop Values-Feb.; Agricultural Prices-July; Crop Production-June (Rev.).
Production	Crop Production-June (Rev.), Aug., Sept., Oct., Nov., and Feb. annual.
Sugarcane	
Acreage	Crop Production-June (Rev.), July, Aug., Sept., Oct., Nov., and Feb. annual.
Prices	Crop Values-Feb.; Agricultural Prices-July; Crop Production-June (Rev.).
Production	Crop Production-June (Rev.), Aug., Sept., Oct., Nov., and Feb. annual.
Sunflower	
Acreage	Crop Production-July, Oct. (also includes Rev. for Prev. Year.), and Feb. annual; Prospective Plantings-Feb.
Prices	Agricultural Prices-monthly and June annual; Crop Values-Feb.
Production	Crop Production-Oct. (also includes Rev. for Prev. Year.), and Feb. annual.
Stocks	Grain Stocks-Feb., Apr., June, Oct.
Value	Crop Values-Feb.
Support programs, USDA dairy	Dairy Products-monthly.
Sweetpotatoes	
Acreage	Prospective Plantings-Feb.; Crop Production-June (Rev.), July, Aug., Sept., Oct., and Feb. annual.
Disposition, Utilization, and Value	Potatoes and Sweetpotatoes-Sept.
Prices	Agricultural Prices-monthly and June annual; Crop Values-Feb.; Potatoes and Sweetpotatoes-Sept; Revisions: Agricultural Prices-Jan. and Sept.
Production	Crop Production-June (Rev.), Aug., Sept., Oct., and Feb. annual.
Tangelos	Agricultural Prices-monthly; Crop Production-Jan., Feb., Mar., Apr., May, June, July, Sept. (Rev.), Oct., Nov., Dec.; Crop Values-Feb.; Citrus Fruits-Sept.
Tangerines	Agricultural Prices-monthly; Crop Production-Jan., Feb., Mar., Apr., May, June, July, Sept. (Rev.), Oct., Nov., Dec.; Crop Values-Feb.; Citrus Fruits-Sept.
Taro	Crop Values-Feb.; Crop Production-May (Rev.), and Feb. annual.
Temples	Agricultural Prices-monthly; Crop Production-Jan., Feb., Mar., Apr., May, June, July, Sept. (Rev.), Oct., Nov., Dec.; Crop Values-Feb.; Citrus Fruits-Sept.

Tobacco	
Acreage	Crop Production-May (Rev.), July, Aug., Sept., Oct., Nov., Dec. (for Burley), Jan., and Feb. annual; Prospective Plantings-Feb.
Prices	Agricultural Prices-monthly and June annual; Crop Values-Feb.; Crop Production-May (Rev.).
Production	Crop Production-May (Rev.), July (for Flue-cured), Aug., Sept., Oct., Nov., Dec. (for Burley), Jan., and Feb. annual.
Value	Crop Values-Feb.; Crop Production-May (Rev.).
Monthly Marketings	Crop Production-May.
Tomatoes	
Fresh market	Vegetables-Jan., Apr., July, Oct., Dec., and June annual.
Prices	Agricultural Prices-monthly; Vegetables-Dec., and June annual.
Processing	Vegetables-Mar., June, Sept., Oct., and Dec.
Turkeys	
Feed-price ratio	Agricultural Prices-monthly.
Income	Poultry-Production, Disposition, and Income-Apr.
Poults placed	Eggs, Chickens, and Turkeys-monthly; Turkey Hatchery-monthly; Hatchery Production-Mar.
Prices	Agricultural Prices-monthly and June annual; Poultry-Production, Disposition, and Income-Apr.
Production	Poultry-Production, Disposition, and Income-Apr.
Raised, number	Turkeys-Jan.; Poultry-Production, Disposition, and Income-Apr.; Eggs, Chickens, and Turkeys-Aug.
Slaughter	Poultry Slaughter-monthly.
Turkey products	Cold Storage-monthly; Cold Storage Annual Summary-Mar.
Vegetables	
Fresh Market	
Prices	Agricultural Prices-June; Vegetables-June annual.
Wage Rates	Farm Labor-Aug.
Walnuts	Noncitrus Fruits and Nuts-Jan. annual and July midyear supplement; Crop Production-July, Aug., Sept.
Wheat	
All	
Acreage	Small Grains-Jan.; Crop Production-July, Aug., Sept., Oct., and Feb. annual.
Monthly Marketings	Crop Production-Dec.
Prices	Agricultural Prices-monthly and June annual; Crop Values-Feb.
Production	Crop Production-Aug., Sept., Oct., and Feb. annual; Small Grains-Jan.
By Classes	Crop Production-Aug., Sept., Oct., and Feb. annual.
Stocks	Grain Stocks-Feb., Apr., June, Oct.
Value	Crop Values-Feb.
Durum	
Acreage	Crop Production-July, Aug., Sept., Oct., and Feb. annual; Small Grains-Jan.; Prospective Plantings-Feb.
Prices	Agricultural Prices-monthly and June annual; Crop Values-Feb.
Production	Crop Production-Aug., Sept., Oct., and Feb. annual; Small Grains-Jan.
Stocks	Grain Stocks-Feb., Apr., June, Oct.
Value	Crop Values-Feb.
Spring (other than durum)	
Acreage	Crop Production-July, Aug., Sept., Oct., and Feb. annual; Small Grains-Jan.; Prospective Plantings-Feb.
Prices	Agricultural Prices-monthly and June annual; Crop Values-Feb.
Production	Crop Production-Aug., Sept., Oct., and Feb. annual; Small Grains-Jan.
By Classes	Crop Production-Aug., Sept., Oct., and Feb. annual.
Value	Crop Values-Feb.

Winter	
Acreage	Crop Production-May, June, July, Aug., Sept., and Feb. annual; Small Grains-Jan.
Prices	Agricultural Prices-monthly and June annual; Crop Values-Feb.
Production	Crop Production-May, June, July, Aug., Sept., and Feb. annual; Small Grains-Jan.
By Classes	Crop Production-May, June, July, Aug., Sept., Oct., and Feb. annual.
Value	Crop Values-Feb.
Whey Products	
Plants, number	Dairy Products-May annual.
Production	Dairy Products-monthly and May annual.
Stocks	Dairy Products-monthly.
Prices	Dairy Products-monthly.
Wool	
Sheep shorn, and production	Wool and Mohair-Mar.
Prices	Agricultural Prices-monthly and June annual; Wool and Mohair-Mar.
Value	Wool and Mohair-Mar.

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Statistical Reporting Service

November 1985

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DAIRY COW SLAUGHTER PROGRAM

Mr. WHITTEN. According to page 24g–4 of the explanatory notes you are now maintaining weekly statistics by region of dairy cows slaughtered in federally inspected plants as a part of the dairy diversion program. What is the estimated cost of conducting this survey, and what is the estimated annual cost of conducting this survey?

RESPONSE. Weekly statistics of federally inspected dairy cow slaughter were initiated in January 1984 in response to requirements of the dairy diversion program. Collection of these data is coordinated with the Agricultural Marketing Service and Food Safety and Inspection Service. It was assumed this statistical series would be terminated in March 1985 at the end of the 15-month diversion program with costs to SRS of $35,000 in fiscal year 1984 and $15,000 in fiscal year 1985. Data users within and outside of USDA found this data series very useful and recommended that SRS continue this series. Since January 1986 these data have been incorporated into the regular weekly federally inspected livestock slaughtered forms and processing routines. One-time conversion costs incurred in fiscal year 1986 are estimated at $40,000 but annual costs for providing these data beginning with fiscal year 1987 will be reduced to about $12,000.

OUTSIDE REVIEW PANEL

Mr. WHITTEN. On page 24g–5 of the explanatory notes you state that the programs and procedures of the agency were reviewed by a 14-member panel of outside experts. Would you please provide for the record a summary of their recommendations?

RESPONSE. A copy of the Executive Summary for the USDA Economic and Statistics Review Panel Report is provided.

[The information follows:]

USDA
ECONOMIC and STATISTICS
REVIEW PANEL,
REPORT TO
SECRETARY OF AGRICULTURE
JOHN R. BLOCK
JUNE 28, 1985

EXECUTIVE SUMMARY

Executive Summary

The full report contains 48 recommendations in ten broad subject matter areas. Those recommendations are quite varied in scope. They range from very specific to quite broad. Implementing some recommendations would require only minor changes in current procedures, others would be more substantial. Many, but not all of those recommendations, are included in this summary, along with a brief description of the situation leading to those recommendations. This summary provides the flavor of the full report, but does not reflect each point of the report.

I. INTRODUCTION

The panel's review reflected a general philosophy that (1) one of the major roles of the USDA's statistical and analytical efforts is to provide a "level playing field" for all the market participants, (2) statistical and analytical efforts should place an emphasis on quality over quantity, (3) it is important to maintain good working relationships with those who provide basic data to the USDA, and (4) the importance of timely, accurate information will increase.

II. RELATIONSHIP OF USDA WITH DATA SUPPLIERS AND USERS

SITUATION

The perception of the panel is that there is a communication gap between the USDA and the providers and users of USDA data that has lead to some loss of credibility. The loss of credibility may stem from a number of circumstances. Low commodity prices and increasing financial stress in production agriculture tends to result in finger pointing in the search for something or someone to blame. The continued loss of credibility of USDA reports could aggravate the problems of nonresponse.

Data users in general do not have an adequate understanding of SRS and ERS procedures. As a result, many data users have little perception of the limitations of the methodology used to generate estimates and forecasts, which in turn leads to inappropriate use of this information.

RECOMMENDATIONS

- USDA should establish lines of communication with data providers and data users through a formal advisory committee structure. The committees should be organized around commodities or commodity groups. Membership should include representatives of producer organizations, industry organizations, private analysts, representatives from the academic community, and the USDA staff.

- * USDA should share with data providers and data users more information concerning the design of surveys, collection of data and analysis of data. A formal education program to accomplish this objective needs to be developed.

- * USDA should provide public on-line access to data bases of official USDA statistics.

III. FREQUENCY, TIMING AND CONTENT OF REPORTS

SITUATION

The credibility of USDA's statistical and economic outlook programs in the minds of information users depends not only on the quality of its data and analyses, but also on the frequency, timing and content of reports. USDA has been criticized both for having an excessive number and an insufficient number of reports, depending on the viewpoint of the user involved. Major changes were made in the schedule of release dates in 1985. The review panel believes several changes were counter-productive and have weakened the quality of the overall program.

RECOMMENDATIONS

- * Grain and soybean stocks reports and the monthly cattle on feed reports be returned to the pre-1985 release schedule, except that January final crop production and grain stocks reports be released on the same day. When feedgrain marketing year is changed to September-August, consider grain stocks reports on March 1, June 1, September 1, and December 1; and cattle inventory on June 1 and December 1.

- * The U.S. and World Grain and Oilseed supply-demand reports be released the business day following the release of the U.S. and World Crop Production reports.

- * Crop planting intentions surveys be made on January 1 and March 1, and that the current February 1 survey be dropped.

- * SRS conduct more frequent hog farrowing intentions survey for major producing States.

- * The June planted acreage survey be made as late as possible in June, preferably in midmonth, to facilitate maximum information regarding double-cropped commodities.

- * Initiate a research project to evaluate the feasibility of surveying in-transit stocks of grain.

- * The CRB continue its present policy of not forcing the residual disappearance to zero in quarterly soybean stocks reports.

- The midyear cattle inventory and calf crop estimates include State data.

IV. FOREIGN ESTIMATES

SITUATION

Uncertainty in producing, buying or selling agricultural commodities in the U.S. frequently arises in the international area. There is a high rate of return on investments that improve the quality of information on the production of foreign produced commodities that have an impact on U.S. markets.

FAS has made an extensive effort to improve estimates of foreign crop production. Yet, comparison of pre-harvest and final production estimates of principal crops for important producing countries, show a considerably larger variation for foreign crop estimates than for the same crops in the U.S.

There is no readily available basis for establishing objective quality control for foreign crop estimates. The objectively determined data obtained from satellite imagery are the only source for establishing a quality standard for foreign crop estimates.

RECOMMENDATION

- Establish an FAS/SRS interagency committee to:
  a) oversee research in the use of satellite imagery
  b) oversee the training of agricultural attaches in data collection
  c) develop other programs toward providing expert assistance to other countries for improving the estimates of production in those countries where production or trade are important factors in U.S. markets.

V. DEMAND ANALYSIS AND LONG-RUN PROJECTIONS

SITUATION

Most supply, demand, and price analyses focus heavily on supply factors with little fundamental analysis of demand factors. This is true for both short-run and long-run analyses as well as foreign and domestic.

Current severe financial problems in the agriculture sector have their roots in the 1970's when exports grew at an unprecedented rate and the U.S. was capturing an increasing share of the world market.

In retrospect it now seems clear that conditions of the 1970's were the exception, rather than typical. More long-term world supply, demand, and price analysis accomplished in the 1970's may have tempered the optimism for future growth.

RECOMMENDATIONS

* USDA should expand data collection and research to better measure the domestic and foreign demand for U.S. food and agricultural products.

* Conduct and regularly publish more research and analyses concerning the longer-run prospects for U.S. and world agriculture.

VI. ECONOMIC INDICATORS

SITUATION

Economic indicators provide measures of the welfare and performance of the agricultural sector.

Farm sector indicators focusing on the distributional and equity issues are weak. As food system subsectors become more concentrated, the role of the USDA in providing an objective data base will become more important to its responsibilities for maintaining equity in competition for market participants in agriculture. Failure of the USDA to perform this function well is likely to result in transfer of that responsibility elsewhere--where there is less knowledge or concern about the welfare and complexities of the industry.

RECOMMENDATION

* Expand research, development, and reporting of farm sector and subsector financial indicators.

VII. CROP REPORTING BOARD PROCEDURES

SITUATION

Significant differences exist between the lockup procedures utilized for grain production, and acreage intentions estimates and those utilized for estimates involving livestock and grain stocks in all positions. The livestock and grain stocks estimates are developed over several days. Grain production and acreage estimates are developed in the confines of a single day lockup.

RECOMMENDATION

* Procedures used for livestock and grain stocks in all positions estimates should be applied to crop production and acreage estimates, provided security can be maintained.

VIII. SRS RESEARCH PROGRAM

SITUATION

The Statistical Research Division of the Statistical Reporting Service was established to develop new and improved methods of collecting, estimating, and forecasting agricultural statistics and to encourage the use of sound statistical techniques throughout the USDA. The principal areas currently under study are remote sensing, crop-yield forecasting and estimation, sampling frames, and survey methods.

There does not seem to be a clear delineation of assignment of responsibility for studies on improvement of methods.

RECOMMENDATION

- The Statistical Reporting Service should develop a statement addressing the responsibilities of each of the Divisions, and, in particular, the specific responsibility of the Research Division for research on survey methodology.

SITUATION

Priorities for research are set by dictate from above, e.g., by Congress, the Executive Office, or USDA administrators, or by the SRS Program Planning Committee (PPC) through the SRS Administrator. While the PPC is a knowledgeable and responsible group, they have neither the direct responsibility for research nor the time to obtain a range of opinions and suggestions from a broad spectrum of users and groups affected by USDA estimates.

RECOMMENDATION

- A research advisory committee, comprising representatives of appropriate branches and divisions within SRS as well as outside organizations and user groups, should be appointed to provide advice to the Director of the Statistical Research Division on research programs and priorities for research.

SITUATION

The Research Division should have a staff capable of carrying out an active, effective research program. To do that, there must be an experienced group of researchers knowledgeable in statistical theory and methods and in the procedures used in making USDA estimates.

RECOMMENDATION

- * The SRS Administrator should consider the appointment of a senior executive staff level statistician, attached to his office, to review statistical procedures used in any SRS branch and to work on or recommend work on statistical methods deemed to require such attention. This person should be independent of each division, but would be expected to maintain strong ties and involvement with all aspects of SRS procedures.

SITUATION

SRS has periodically asked outside consultants to review and evaluate many aspects of its program. Research has often been a component of that review, but does not appear to have been under any particular scrutiny in recent reviews.

RECOMMENDATION

- * The Statistical Research Division should make special efforts to identify new areas for research on methods which have high potential for improved effectiveness in making agricultural estimates.

SITUATION

The Integrated Survey Program is in a research phase and is being studied on a trial basis in several States. There are a number of problems to work out and a number of disadvantages that must be evaluated before it can be implemented fully.

RECOMMENDATION

- * The results of the trial use of the Integrated Survey Program should be evaluated carefully before being implemented on a broad scale. Further study is needed to provide comparisons among alternative approaches and the relative costs and precision.

IX. QUALITY CONTROL

SITUATION

Any aspect of survey design and operations which affects the nonsampling error component of the quality of data is the focus of interest.

Quality control of original data and standardization of methods are necessary to achieve economically feasible accuracy.

There will be increasing pressure on SRS to provide data of even higher quality. It is important for the Agency to recognize that quality should be available by establishing a statistical quality control system as well as a systematic quality measurement program. A major factor in quality of data is the collection form. Quality of data is improved when questions can be asked verbatim, when enumerators understand why the question is being asked, and can explain how the data will be used.

RECOMMENDATION

* SRS should develop a set of verbatim-use questions for each current form as a supplement to the existing forms used in self-administration.

SITUATION

Analysis packages have been developed to standardize State review and data analysis. Enumerator codes are currently available on enumerative survey and objective yield survey forms, but not all of the analysis packages use these codes to provide tabulations of quality factors by enumerator.

RECOMMENDATION

* States should provide prescribed feedback to the national office on analyses made on enumerator quality factors, action taken when need was identified, and effects likely on estimates involved.

SITUATION

Each survey includes some nonrespondents and some item nonresponse. There may also be data inconsistencies amoung entries that are changed in editing.

RECOMMENDATION

* SRS should plan, test, and create an operational system that captures original data, edited data, imputation on a case-by-case basis, and have data analysis packages which provide information on the effect of edits and imputations on the estimate.

SITUATION

An important factor contributing to the quality of national data is the work in each State Statistical Office.

RECOMMENDATION

* The State Statistical Office Technical Review is an important management tool. Resources to increase the number of States covered each year should be provided. It would seem reasonable to have each State reviewed at least twice every decade.

SITUATION

One aspect of quality control is the monitoring of each step in the overall process. Errors found ascribed to cause help determine the corrective action.

RECOMMENDATION

- The existing verification programs for the June and December enumerative surveys should be converted to a process control system; there should be independent data collection and reconciliation of differences; sample segments or units should be randomly selected; records of errors, by participant, and by survey item should be monitored; corrective actions should be logged and the value of corrective actions tracked and analyzed by commodity specialists and the Crop Reporting Board.

SITUATION

For surveys such as acreage, acreage and production, and farm report surveys, procedures differ from State to State. For these, little or no coordination exists with regard to sampling methods, data collection, or summary procedures and yet the estimates are assumed to be additive to regional and national levels. Although probability sampling is used for an increasing number of surveys, too many are still on a nonprobability basis. Nonprobability surveys have been deemed to be better than nothing at all, but they are not a satisfactory substitute for probability surveys.

RECOMMENDATION

- Common statistical standards across all States for sampling, data collection, editing, and summarization should be used for all surveys. Nonprobability surveys should be replaced by probability surveys as early as possible.

X. PERSONNEL ISSUES

SITUATION

It has become increasingly difficult to recruit and retain outstanding professionals in USDA, particularly ERS. The problem appears to be most acute within the areas of commodity analysis. Limits on promotion contribute to this problem. In general, advancement beyond certain levels is restricted to those taking on more administrative responsibility.

There appears to be considerable overlap of analysis across agencies. There are, for example, commodity analysts in ERS, FAS, ASCS, and WAOB. Some of the efforts of these individuals appear to be duplicative.

Some degree of duplication of effort is desirable in the economic forecasting area. Separate forecasts provide some system of check and balances.

RECOMMENDATIONS

- * Agencies should investigate all alternatives for advancement in rank for outstanding scientists.

- * There should be a special task force formed to investigate the issue of consolidation of commodity analysis and outlook that is being conducted in several agencies. This task force should consist of agency staff, industry, and academic representatives. A recommendation on this issue should be sought by the end of the 1985 calendar year.

XI. FUTURE DATA ACQUISITION AND ANALYSIS

SITUATION

It is generally agreed that there will be far-reaching changes in U.S. agriculture in the next two decades. There will be associated changes in data needs and in techniques available for gathering and handling information.

RECOMMENDATION

- * Agencies should continue and strengthen efforts to anticipate future developments, the associated needs for data, and how current and prospective technology for data gathering and handling can best be used to meet these needs.

ELECTRONIC DISSEMINATION OF INFORMATION

Mr. WHITTEN. Please describe the Department's Electronic Dissemination of Information System. What is the annual cost of this system?

RESPONSE. Currently, six USDA agencies place official reports in the Department's Electronic Dissemination of Information System (EDI). These are electronically available to Martin Marietta Data Systems' (MMDS) EDI account holders within a few minutes after release to the public. Access to the system is available by a local telephone call in most large cities and by most popular telecommunicating devices, including the small microcomputers used by many farm operators. A number of EDI customers, such as Agnet; Agridata Resources, Inc.; ITT Dialcom, Inc.; Pioneer Hi-Bred International, Inc.; etc., further distribute the data to smaller users. The cost to USDA is currently about $10,000 per month. An annual expense of about $125,000 is estimated.

Mr. WHITTEN. Which agency of USDA operates this system?

RESPONSE. The system contract is administered by the Office of Information Resources Management (OIRM) and the report system operated by the Office of Governmental and Public Affairs. Each agency also has its own report system administrator. These agency EDI system administrators control which items their agencies load in the system and when they are to be purged. They also establish accounts allowing agency staff access to the system. Once the system is fully operational and accepted from the vendor, the Office of Governmental and Public Affairs will become the sole Department EDI administrator.

Mr. WHITTEN. How many agencies of USDA use the system?

RESPONSE. At present there are six agencies (Statistical Reporting Service, World Agricultural Outlook Board, Foreign Agricultural Service, Economic Research Service, Agricultural Marketing Service, and Office of Governmental and Public Affairs) loading reports onto the system. In addition, Animal and Plant Health Inspection Service, Federal Crop Insurance Corporation, Extension Service, National Agricultural Library, and Office of Information Resources Management are data retrievers, for a total of 11 agencies that now use the system in some way.

STATISTICAL INFORMATION MANAGEMENT SYSTEM

Mr. WHITTEN. Please describe the Statistical Information Management System (SIMS) mentioned on page 24g-6 of the notes.

RESPONSE. The SIMS project is the result of efforts made by two internal working groups who were given the responsibility for developing long-range plans which would aid us in accomplishing our mission in the future. Since information about the Nation's agricultural activities is our primary product, their recommendations dealt directly with Information Resources Management (IRM).

Part of the IRM plan they produced outlined the steps necessary to implement a unified and automated data management system. The acronym we gave to the system is SIMS. We believe this system will be the key to our future automation. When completed, it will be the largest ADP effort we have undertaken. The system will serve as an umbrella for all the data acquired and used by the Agency. This includes sampling frame data, survey data, official estimates, and administrative data.

The data management system consists of three parts. A data dictionary, a data base management system, and a fourth generation programming language. We selected and procured these items in spring of 1985. At the same time we began a thorough analysis of our information needs through a formalized process called "data modeling." After data are analyzed in a major information subject area, the physical data base structures are developed. These activities will be completed in phases. As each phase is completed, development teams will move to the next until the entire project is complete. We have set a target of 1991 to finish the system.

Data base processing is not new, but recent advancements in this area make this an opportune time for SRS to undertake a major upgrade of its information handling techniques. Among the benefits we expect to obtain through prudent use of data base technology are:

1. A reduction in redundant data maintenance and handling.
2. An increase in data integrity.
3. Better control over security and access of our sensitive data.
4. Ability to satisfy information requests in a more timely fashion.
5. A reduction in the paper and the handling of paper.
6. More standardization of procedures and methodology.
7. An increase in quantity and quality of the work performed.

Mr. WHITTEN. What is the annual cost of this system?

Response. The table below shows our current budget plans for development of SIMS through fiscal year 1991. The figures coincide with what was submitted on this year's A-11 Report, but modifications may have to be made. We plan to provide funds for the project through fiscal year 1987 by redirecting our normal computing funds. We could require special funding for the fiscal years 1988-91 period.

Our existing contract for computing services with MMDS will expire in the fall of 1989. Between now and then, we hope to issue an Request for Proposal (RFP) for new equipment and computing facilities that will be compatible and more tightly integrated. Even though the RFP is part of the IRM plan, we do not consider it part of the SIMS project. Hence, the costs data in the table below do not include any dollars for the RFP.

SIMS ESTIMATED COSTS

[In fiscal years and dollars in thousands]

	1986	1987	1988	1989	1990	1991
Hardware		$350	$350	$350	$350	$350
Software	$12	70	200	200	100	100
Computing services	288	500	500	500	500	500
Communication	15	50	50	50	50	50
Procurement		15	50	50	10	10
Travel and training	10	90	120	130	130	130
Total	325	1,075	1,270	1,280	1,140	1,140

Personnel requirements to carry out the SIMS project through fiscal year 1991 will be handled through the redirection of existing staff.

Mr. **Whitten.** What agencies in USDA use this system?

Response. The SIMS project was originated from goals idntified by our November 1984 IRM report. These goals were primarily associated only with the modernization of our in-house computer processing capabilities. However, the automation of our processing functions through the use of modern data base facilities will undoubtedly benefit current users of our data by allowing public access to our official estimates data base. Other USDA agencies are among these users. The system will also interface with the Department's financial, payroll, and inventory data management systems.

TELEPROCESSING SERVICES

Mr. **Whitten.** You have recently transferred a data processing contract from Bolt, Beranek, and Newman to Martin Marietta Data Systems prior to the expiration of the contract. Was there some type of difficulty with this contract, or why was it transferred prior to the expiration of the existing contract?

Response. SRS is in the process of transferring data processing activities for remote sensing from Bolt, Beranek and Newman (BBN) to MMDS. The current SRS contract with BBN expires on June 30, 1986. We have had no problems with BBN. However, because of USDA procurement regulations we would be required to issue an RFP to competitively obtain a vendor for services after July 1, 1986 or transfer this work to MMDS where we do all of our processing for operational programs. We feel the transfer of remote sensing processing to MMDS will reduce costs and help us make these activities an integral part of the SRS operational program.

AREA FRAME DEVELOPMENT AND MAINTENANCE

Mr. **Whitten.** You state that photo enlargements from the new national high altitude photography film were used in the June 1985 Enumerative Survey. What do you mean by new high altitude photography film?

Response. The Statistical Reporting Service maintains a complete area frame for sampling purposes which covers the 48 contiguous States. The frame is constructed based upon State land utilization at the time of construction. Land use changes make our sampling frames inefficient over time. Therefore, we update these frames in several States each year to adjust for these changes.

We acquire the latest available national high altitude photography (NHAP) for States being updated in this classification process. Approximately 85 percent of the United States is covered by national high altitude photography.

We also utilize the most recent NHAP (flown since 1980) enlargements of our sampled areas in the field enumeration to assist our staff during data collection.

METHODOLOGY FOR USING SATELLITE DATA

Mr. **WHITTEN.** On page 24g-8 of the notes you discuss your research on the development of methodology for using satellite data and you state that, "Significant improvements in the methodology have been made during the past decade which led to improved estimates and cost reductions." Would you please discuss this in greater detail, giving the Committee some examples?

RESPONSE. Average cost per state for making crop acreage estimates from satellite data have been reduced from $815,000 in 1975 to $136,000 in 1985. These cost reductions are the result of procedural improvements such as 1) refinements in computer software which have reduced data processing costs and improved staff efficiency; 2) increased use of supercomputers; 3) refinements in procedures for Landsat-scene registration (which decreased staff-time requirements) and increased precision; 4) development of microcomputer based tablet digitizing procedures; and 5) development of digitizing procedures using a video camera which has decreased staff-time requirements.

In addition to lowered costs, we have also increased product quality and utility with 1) expanded use of multitemporal satellite data; 2) improved clustering algorithms; and 3) generation of county estimates from satellite data.

Mr. **WHITTEN.** You say that estimates for planted and harvested acreage of winter wheat were obtained in Colorado, Kansas, Missouri, and Oklahoma. What degree of accuracy are you now able to obtain using satellite data as opposed to ground collected data?

RESPONSE. In order to achieve the same precision for planted and harvested acreage of winter wheat that were produced from remote sensing in 1985, a ground sample over twice as large as that now used would be required. We are able to provide probability estimates at the county level from the satellite data. Costs for probability samples from ground surveys, large enough to provide reliable county-level indications, would be prohibitive.

Mr. **WHITTEN.** During 1985 you were able to use data from the Thematic Mapper Sensor. What advantage does this give you?

RESPONSE. The Thematic Mapper sensor has a spatial resolution of 30 meters compared to 60 meter resolution of the Multispectral Scanner data that SRS normally uses. This smaller resolution improves ground cover discrimination, particularly in areas with small fields. The Thematic Mapper sensor also measures reflected energy in seven spectral bands compared to four bands from the Multispectral Scanner. These additional bands improve ground cover discrimination.

Mr. **WHITTEN.** You say that you are obtaining cost savings through the extended use of a Cray supercomputer. Is this a Department computer, or is it under contract?

RESPONSE. The Statistical Reporting Service has been using a Cray Supercomputer located at NASA/Ames Research Center located at Moffett Field, California for several years. We are in the process of releasing an RFP to procure these services from a commercial vendor.

Mr. **WHITTEN.** What have been some of the developments in remote sensing as a means to monitor crop growing conditions on a worldwide basis over the last two years?

RESPONSE. The Department of Agriculture has engaged in extensive research to determine the usefulness and extent to which data from space-based platforms can be integrated into crop information systems.

Most of the remote sensing research for monitoring crop conditions on a worldwide basis has been conducted by the Agricultural Research Service for possible application by the Foreign Agricultural Service. This research has demonstrated that satellites, such as the Landsat and meteorological satellites, have potential as one of the information sources for monitoring worldwide crop conditions. Specific research developments in the past two years, often a culmination of intensive work over a much longer period, include "widening" of the area seen by polar-orbiting meteorological satellites that can be used effectively for crop assessment. Work is also underway to improve techniques of computer analysis of satellite data to evaluate crop conditions, and to implement methods that will aid in comparing data received from different satellites. Specific operational applications of remote sensing to improve worldwide crop monitoring that have been initiated in the Department in the past two years include the use of improved computer display systems to analyze vegetation conditions, particularly stress, development of quantitative relationships between the spectral data acquired by the satellite sensor and the condition of the vegetation on the ground, and use of improved techniques for delineating crop areas and deriving acreage data from higher resolution Landsat data.

Mr. WHITTEN. You mention that four weather crop models for the main grain producing regions for the USSR were developed and evaluated. What degree of accuracy do you now feel you are able to develop on USSR grain production?

RESPONSE. These models were developed under the AgRISTARS program. They were given to the Joint Agricultural Weather Facility of the World Agricultural Outlook Board (WAOB) for testing in an operational environment. According to the WAOB, the weather crop models cannot be fully evaluated because the USSR has not released crop statistics since 1980. Experience in LACIE and follow-on AgRISTARS has shown that weather crop models generate estimates within ±10 percent error about 7 years out of 10. Moreover, the meteorologist can, by following daily weather events, improve on the model's output. For example, in 1981, the crop models in August supported a 185 million metric tons estimate for the USSR grains but the Agricultural meteorologist was convinced the correct answer was down in the 160-165 million metric ton range. The final 1981 estimate is believed to be 161 million metric tons but this figure has never been officially confirmed by the USSR. The weather crop models can be effectively used as a starting point when making crop estimates. However, the limitations of the model must be understood by the user and the user must recognize those cases that are outside the data base upon which the model was built. This is true for all crop models that have been developed and tested to date.

CONSULTING SERVICES

Mr. WHITTEN. You state that you have provided expertise to many countries throughout the world to assist them in sampling and area frame construction. When SRS employees are assigned to help a foreign country, who pays their expenses and who pays their salary during their assignment?

RESPONSE. SRS conducts its international technical assistance activities solely on a reimbursable basis with funding supplied by the Department of State (Agency for International Development), the World Bank, and the Food and Agriculture Organization. These organizations transfer the funds directly to USDA, Office of International Cooperation and Development (OICD), which is the coordinating agency in USDA for all Departmental international activities. OICD transfers funds to SRS for the technical assistance salaries and expenses.

Mr. WHITTEN. You make passing mention that you provided assistance outside USDA concerning an operating system known as Unix. What is the Unix operating system and who operates it?

RESPONSE. Unix is a computer operating system. It's a trademark of AT&T Bell Laboratories. In a research environment, the Agency obtained some hardware and software which required this operating system. As the Agency adapted this Unix system to meet its needs on the hardware in use, a member of the Research staff became very proficient in its capabilities. Therefore, other non-USDA users of the same hardware/software combination were advised to contact our staff for consultation or the use of the Unix operating system in our particular environment. This provided an avenue of sharing expertise, concerning the system, across government agencies.

Mr. WHITTEN. Have you employed any consultants during the past year, and if so, for what purpose?

RESPONSE. Consultants were employed by the agency during fiscal year 1985 as part of the USDA Economic and Statistics Review Panel and an agency Structure and Identification Task Group. The outside review panel reviewed the content of USDA reports containing crop and livestock estimates and related economic projections, examined the data, information and procedures used in analyses, and evaluated the effectiveness of current organizational structures in providing timely, accurate, and useful materials. Consultants also assisted an internal task group in reviewing the agency's structure and identification and recommending modifications to develop clear lines of communication, improve assignment and delegation of responsibilities, decentralize decisionmaking where appropriate, reducing operating costs, and strengthening and servicing cooperative State agreements.

Mr. WHITTEN. You state that an SRS statistician assisted the Office of the General Counsel in defending USDA against a lawsuit related to Food and Nutrition Service sampling procedures. What was the outcome of his lawsuit?

RESPONSE. The Justice Department and the plaintiff settled this case out of court before it went to trial.

PASSENGER MOTOR VEHICLES

Mr. WHITTEN. You are proposing to purchase one additional motor vehicle and replace three existing vehicles. Where are your existing vehicles located?

RESPONSE. We have a fleet of 14 vehicles located at the following State Statistical Offices: one each at Montgomery, Alabama; Palmer, Alaska; Athens, Georgia; Springfield, Illinois; West Lafayette, Indiana; Des Moines, Iowa; Alexandria, Louisiana; Lansing, Michigan; Jackson, Mississippi; Fargo, North Dakota; Sioux Falls, South Dakota; Cheyenne, Wyoming; and two at Madison, Wisconsin.

Mr. WHITTEN. Please describe how these vehicles would be used.

RESPONSE. These vehicles are used by SRS field personnel to accomplish the agency mission. Specific uses include traveling to and from interviews with farmers, producers, and other members of the agriculture community and delivering personnel, related supplies and equipment to regional and statewide training schools.

Mr. WHITTEN. How many vehicles did you replace last year?

RESPONSE. With fiscal year 1985 funding, we replaced a vehicle in Georgia, North Dakota and also purchased a vehicle for use in Michigan.

Mr. WHITTEN. How many GSA vehicles do you use agencywide?

RESPONSE. We also leased for program use 16 GSA vehicles during fiscal year 1985. I believe we will continue at the same level during fiscal yer 1986.

BUDGET REQUEST

Mr. WHITTEN. What was your original budget request which was submitted to the Office of the Secretary, and what did the Office of the Secretary submit to OMB?

RESPONSE. We submitted to the Department a budget of $62,805,000 and to OMB a budget of $61,055,000.

COOPERATIVE AGREEMENTS

Mr. WHITTEN. Would you please list for the record all cooperative agreements that were signed during fiscal year 1985, indicating the dollar amount of each such agreement as well as a description of the purpose of the agreement?

RESPONSE. A list of SRS cooperative agreements and amendments thereto signed during fiscal year 1985 are provided for the record.

[The information follows:]

COOPERATOR	AMOUNT	PURPOSE
National Association of State Departments of Agriculture	$12,000,000	Data Collection
Washington Department of Agriculture	72,000	Crop Reporting Services
Pennsylvania Department of Agriculture	4,000	Assistance in Dissemination of Crop and Livestock Reports
Tennessee Department of Agriculture	5,000	Assistance in Dissemination of Crop and Livestock Reports
Michigan Department of Agriculture	3,000	Assistance in Dissemination of Crop and Livestock Reports
Montana Department of Agriculture	3,500	Assistance in Dissemination of Crop and Livestock Reports
Nebraska Department of Agriculture	10,000	Assistance in Dissemination of Crop and Livestock Reports
New Mexico Department of Agriculture	2,100	Assistance in Dissemination of Crop and Livestock Reports
North Carolina Department of Agriculture	3,500	Assistance in Dissemination of Crop and Livestock Reports
Alabama Department of Agriculture	3,200	Assistance in Dissemination of Crop and Livestock Reports
California Department of Agriculture	1,000	Assistance in Dissemination of Crop and Livestock Reports
Georgia Department of Agriculture	3,000	Assistance in Dissemination of Crop and Livestock Reports
Oklahoma Department of Agriculture	12,000	Assistance in Dissemination of Crop and Livestock Reports
Oregon Department of Agriculture	3,000	Assistance in Dissemination of Crop and Livestock Reports

COOPERATOR	AMOUNT	PURPOSE
Texas A&M University	35,000	Weather Data in Plant Process Models
University of Houston - Clear Lake	54,995	Crop Acreage Estimates
Minnesota Department of Agriculture	7,000	Assistance in Dissemination of Crop and Livestock Reports
Illinois Department of Agriculture	13,000	Assistance in Dissemination of Crop and Livestock Reports
Virginia Department of Agriculture	2,000	Assistance in Dissemination of Crop and Livestock Reports
Kentucky Department of Agriculture	4,500	Assistance in Dissemination of Crop and Livestock Reports
Michigan State University	15,000	Development of an Educational Program for Data Providers
Maryland Department of Agriculture	13,750	Crop Reporting Services
Kansas State University	10,000	Improved Crop Yield Forecasts
Idaho Department of Water Resources	7,300	Ground Data and Landsat
Tennessee Department of Agriculture	46,500	Crop Reporting Services
American Statistical Association	65,000	Statistical Sampling
Georgia Department of Agriculture	8,000	Crop Reporting Services
Oregon State University	20,000	Robust Estimation Methodology
Oklahoma Department of Agriculture	12,000	Crop Reporting Services
Cornell University	66,700	Crop Inventory Through Remote Sensing

COOPERATOR	AMOUNT	PURPOSE
University of California - Chico	20,000	Small Area Estimation
West Virginia Department of Agriculture	6,000	Crop Reporting Services
Wisconsin Department of Agriculture	23,000	Crop Reporting Services
Mississippi State University	9,000	Data for Soybean Models
University of Missouri	5,000	Crop Yield Models
University of Georgia	5,000	Numerical Techniques for Plant Models
New York Department of Agriculture	3,500	Computer Services
University of California	360,000	Computer Assisted Survey
Utah Department of Agriculture	12,500	Crop Reporting Services
Minnesota Department of Agriculture	54,770	Crop Reporting Services
University of Florida	32,000	Soybean Plant Process
Iowa Department of Agriculture	35,000	Computer Services
University of Nebraska	9,000	Data for Soybean Models
Illinois Department of Agriculture	27,000	Computer Services
Kentucky Department of Agriculture	4,500	Computer Services
Iowa State University	30,000	Estimation of Crop Acreage
University of Minnesota	18,000	Pricing and Marketing of Agricultural Inputs

COOPERATOR	AMOUNT	PURPOSE
Hawaii Department of Agriculture	2,000	Crop Reporting Services
North Carolina Department of Agriculture	20,000	Computer Services
North Carolina Department of Agriculture	56,000	Crop Reporting Services
Mississippi Department of Agriculture	35,000	Crop Reporting Services
New York Department of Agriculture	9,000	Potato Samples Data
Virginia Department of Agriculture	17,151	Computer Services
Nebraska Department of Agriculture	15,000	ADP Advisor Services
Maine Department of Agriculture	12,000	Crop Reporting Services
Kansas State University	15,000	Spring & Winter Wheat Models
University of California	170,000	Multicrop Inventory Techniques
California Department of Food & Agriculture	25,800	Crop Reporting Services
Ohio Department of Agriculture	5,000	Computer Services
University of Arkansas	11,000	Crop Reporting Services
Texas A&M University	15,000	Compartmental Analysis
Michigan Department of Agriculture	30,000	Computer Services
Florida Tomato Committee	33,100	Collecting & Publishing Statistics
TOTAL	$13,631,366	

REPORT ACCURACY

Mrs. SMITH. Last year, a specific need was noted that you take measures to increase the accuracy of you crop reports. What efforts have you taken to comply with this request?

RESPONSE. The reference last year was to an Agency 3-year Crop Data Improvement Program to place our major acreage and production reports on a probability basis. The first phase was funded in Fiscal Year 1985. The second phase to be funded in Fiscal Year 1986 was not approved and now is included in our Fiscal Year 1987 budget. With the first phase funding we initiated a pilot three State monthly integrated survey and a 27 State end-of-year probability crop survey. These surveys have provided us with results that can be statistically defined and defended. When fully implemented, this approach will be expanded to the other crop acreage surveys and a national basis.

Mrs. SMITH. Are crop estimates more in line with estimates taken through the year?

RESPONSE. Reliability of crop production forecasts as measured statistically using the "Root Mean Square Error" is 6-7 percent for early season forecasts, improving to 2-3 percent for final forecasts. All of our forecasts and estimates are based on surveys that are subject to sampling and nonsampling type errors. More importantly, the production forecasts are subject to change due to future weather effects and other factors that cannot be measured currently but directly affect final production.

[The imformation follows:]

STATISTICAL REPORTING SERVICE

Statement of William E. Kibler, Administrator, before the House Subcommittee on Agriculture, Rural Development, and Related Agencies.

Mr. Chairman and members of the Committee, it is an honor to appear before this distinguished Committee to again represent the Statistical Reporting Service (SRS). The Committee's recognition of the need for a strong agricultural statistics program and your continuous support are appreciated.

The SRS administers the USDA's program of collecting, compiling, and disseminating current national and State agricultural statistics. Research designed to improve the statistical methods and techniques used to produce agricultural statistics is also conducted. In addition, SRS performs reimbursable survey work for other Federal, State, and producer organizations.

Statistical data developed by SRS on the Nation's agriculture are essential for the orderly development of production and marketing decisions by farmers, ranchers, and other agribusinesses. These agricultural data series are also used to monitor the everchanging agricultural industry for formulation and administration of agricultural policy relating to farm program legislation, commodity programs, agricultural research, and related activities.

Fiscal Year 1987 Budget Request

The fiscal year 1987 budget request is $59,712,000. This request includes an increase of $450,000 for continuation of the shift of major crop surveys to probability-based procedures. Additional increases include $150,000 for improving the Crop Reporting Board (CRB) procedures through establishment of an expanded data base environment and $503,000 for increased operating costs. Other budget changes include a decrease of $50,000 for reduced frequency of surveys on prices paid for building materials and marketing containers.

Major Activities of the Statistical Reporting Service (SRS)

The primary activities of the SRS are the collection, summarization, and analyses of data and publication of accurate and reliable agricultural forecasts and estimates. Thousands of farmers, ranchers, agribusinesses, and others voluntarily respond to nationwide surveys about crops, livestock, and other agricultural activities. These surveys are supplemented by field observations, objective yield counts and measurements, and other administrative data to provide reliable information. Annually, estimates for about 120 crops and 45 livestock items are published in about 300 reports prepared by SRS's CRB.

The agricultural production and marketing data that are developed and published by SRS include: number of farms and land in farms; acreage, yield, and production of grains, hay, oilseeds, cotton, tobacco, fruits, vegetables, floriculture, and specialty crops; stocks of grains; inventories and production of hogs, cattle, sheep and wool, goats, catfish, poultry, eggs, and dairy products; prices received by farmers; prices paid by farmers for inputs and services; cold storage supplies; and other data related to the agricultural economy.

The SRS estimating program is conducted through 44 State Statistical Offices (SSO's) servicing all 50 States. All of these SSO's are operated under cooperative funding arrangements with State Departments of Agriculture and/or Land-Grant universities. This arrangement efficiently serves the agricultural data needs at both the State and Federal levels and eliminates duplication of effort. Twenty of the SRS State offices are physically located in State office buildings. These beneficial colocations provide increased service and additional agricultural data for State and local needs.

A research program is conducted to improve the statistical methods and techniques used in developing agricultural statistics. This research is directed towards improved sampling, yield forecasting, and survey techniques. Research under the remote sensing program is continuing to increase the accuracy of domestic and foreign crop acreage and land cover estimates.

The SRS also conducts surveys on a reimbursable basis for other Federal, State, and private agencies or organizations. Our existing survey capability can provide these services much more efficiently than each agency conducting its own surveys. In addition, technical assistance in the development of agricultural estimating programs in foreign nations is also conducted on a reimbursable basis.

The SRS periodically seeks input on data needs and priorities from data users through individual contacts, meetings with commodity groups, CRB briefings, and regional data user meetings. The Agency has made many adjustments in its program in response to suggestions made by data users indicating changes are needed. Users support the policy that statistical efforts should continue to place emphasis on quality over quantity. However, requests continue for expanded detail, wider geographic coverage, more frequent reports, and new data series.

A review panel of experts from universities and the private sector attended the spring 1985 Data User Meetings as part of its review of the Department's statistics and economics reporting programs. The panel's report was released in June 1985 and provided 48 recommendations of which 39 specifically related to SRS. Most of the recommendations were consistent with points addressed by other task groups and the recommendations in the 1983 SRS Long-Range Plan. SRS has already adopted eight of the panel's recommendations, six others will be implemented this year, and background studies are underway for twelve more. Several of the recommendations undergoing background study will be implemented during 1987.

Plans are underway to reinstate several surveys eliminated during the fiscal year 1982 program modifications. A limited series of estimates for white wheat will be initiated in 1986 for the three Northwestern States and dry peas and lentil estimates will be initiated in three States with the 1986 fall acreage and production survey.

Fiscal Year 1987 Plans

The SRS Long-Range Plan contains a recommendation to convert major surveys to probability-based procedures including the crop acreage surveys. The review panel also concurred with this recommendation. An increase of $450,000 is requested to continue the SRS effort started in 1985 to accomplish this objective. These funds would implement the second phase of a 3-year program to place all major crop surveys on a probability basis.

An increase of $150,000 is requested to improve CRB procedures. This increase would allow SRS to improve the CRB capability to effectively evaluate all survey components and auxiliary information through establishment of an improved data base environment. In addition, a research and analysis effort will be undertaken to develop and implement composite estimators and time series analysis procedures that have been tested in research trials. Data users are becoming more sophisticated with their own statistical techniques and understand the need for statistically defensible and repeatable CRB procedures.

The budget request includes $503,000 for increased operating costs. These resources are needed to maintain the core program because of increased costs incurred for travel, postal rates, communications services, supplies, equipment, machine maintenance, staff transfers, and ADP services.

A decrease of $50,000 in obligations will be realized by the reduction in frequency of the prices paid by farmers for building materials and marketing container surveys. This reduction in frequency would not adversely affect the usefulness of the prices paid data series.

This concludes my statement, Mr. Chairman, and I will be happy to respond to your questions.

STATISTICAL REPORTING SERVICE

Purpose Statement

The Statistical Reporting Service (SRS) was reestablished as a separate agency in the USDA on September 30, 1981. The primary responsibilities of SRS are the development and issuance of national and State agricultural statistics and the conduct of statistical research as authorized under the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627).

SRS programs are conducted in the following major areas:

1. Crop and Livestock Estimates. This area includes the conducting of mail, enumerative and objective measurement surveys; summarizing and analyzing survey data; developing estimates of production, supply, price and other aspects of the agricultural economy; preparation and issuance of the official USDA national and State estimates and reports relating to acreages, types, and production of farm crops, number of livestock on farms, livestock products, stocks of agricultural commodities, value and utilization of farm products, prices received and paid by farmers, and other subjects as required.

2. Statistical Research and Service. This area includes the research on and development of improved statistical techniques used in gathering and evaluating statistical data, including use of satellite data.

3. Work Performed for Others. Services are performed for other Federal and State agencies and private commodity organizations on a reimbursable or advance payment basis. These services consist primarily of conducting surveys and performing related statistical data collection activities. They also include technical consultation and support, and technical assistance programs abroad under participating agency service agreements.

The Statistical Reporting Service maintains a central office in Washington, D.C., with a large part of the agricultural statistics program carried out through 44 State Statistical Offices serving the 50 States. Most State Statistical Offices are operated as joint State and Federal services through cooperative arrangements with various State agencies. As of September 30, 1985, the Service had 1,006 full-time permanent employees and 121 part-time employees, including 343 permanent full-time and 48 part-time employees located in Washington, D.C.

STATISTICAL REPORTING SERVICE

Available Funds and Staff Years

1985 Actual and Estimated 1986 and 1987

Item	1985 Actual		1986 Estimated		1987 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Statistical Reporting Service	$58,221,000	1,036	$58,659,000	1,005	$59,712,000	988
Obligations under other USDA appropriations:						
Agricultural Cooperative Service for work on annual statistics of farmers cooperatives	84,500	1	85,000	1	85,000	1
Agricultural Marketing Service for data on milk prices	51,000	1	53,000	1	53,000	1
Agricultural Research Service for weather work, statistical support and data on wheat varieties	21,000	--	5,000	--	5,000	--
Agricultural Stablization and Conservation Service (CCC) for data on feed grains and sugar	102,000	2	103,000	2	103,000	2
Economic Research Service for economic studies, and data on cost of production, farm production expenditures, farm and rural land markets, fertilizer, land values, outside review, and farm real estate taxes	2,725,350	49	2,827,000	48	2,789,000	46
Foreign Agricultural Service for ADP assistance	2,603	--	--	--	--	--
Federal Crop Insurance Corporation for acreage and yield production data on insured crops	428,000	8	434,000	7	434,000	7
Forest Service for data on grazing fees and land cover	25,000	--	33,000	1	33,000	1
Office of Information Resources Management for personnel detail	9,870	--	--	--	--	--
Soil Conservation Service: land cover estimates, and survey support	40,000	1	27,000	--	27,000	--
World Agricultural Outlook Board for weather work, outside review, and grain report support	17,754	--	9,000	--	6,000	--
Total, Other USDA Appropriations	3,507,077	62	3,576,000	60	3,535,000	58
Total, Agriculture Appropriations	61,728,077	1,098	62,235,000	1,065	63,247,000	1,046

Item	1985 Actual		1986 Estimated		1987 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Other Federal Funds:						
Army Corps of Engineers for salary costs	600	--	--	--	--	--
Commerce, Department of, for training, personnel detail, area sample selection, data collection, and State and county estimates	82,316	1	179,800	3	1,220,800	5
Environmental Protection Agency for data on underground storage structures	--	--	45,000	1	45,000	1
Interior, Department of, for data on grazing fees	35,000	1	27,000	--	27,000	--
Labor, Department of, for assistance in research on computer assisted telephone interview techniques	250,000	--	--	--	--	--
Office of International Cooperation and Development (from AID) for training, technical assistance, and remote sensing	989,019	14	2,585,200	19	1,785,200	21
Total, Other Federal Funds	1,356,935	16	2,837,000	23	3,078,000	27
Non-Federal Funds:						
State Agencies for survey work	609,757	11	1,087,000	19	1,087,000	18
Miscellaneous Contributed Funds for distribution of crop releases and data tapes and for data on almonds, catfish, lemons, malting barley, oat varieties, oranges, pistachios, and walnuts	260,139	1	160,000	1	160,000	1
Total, Non-Federal Funds	869,896	12	1,247,000	20	1,247,000	19
Total, Statistical Reporting Service	63,954,908	1,126	66,319,000	1,108	67,572,000	1,092

Full-Time Equivalent Staff-Years:	1985 Actual	1986 Estimated	1987 Estimated
Ceiling	1,125	1,106	1,090
Non-ceiling	1	2	2
Total	1,126	1,108	1,092

STATISTICAL REPORTING SERVICE

Permanent Positions by Grade and Staff-Year Summary

1985 and Estimated 1986 and 1987

Grade	1985			1986			1987		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-5	1	--	1	1	--	1	1	--	1
ES-4	1	--	1	2	--	2	2	--	2
ES-3	2	--	2	1	--	1	1	--	1
ES-2	2	--	2	2	--	2	2	--	2
ES-1	1	--	1	1	--	1	1	--	1
GS/GM-15	15	13	28	15	13	28	15	13	28
GS/GM-14	35	34	69	36	34	70	36	34	70
GS/GM-13	104	75	179	105	72	177	103	71	174
GS-12	35	95	130	39	91	130	38	89	127
GS-11	14	91	105	13	92	105	13	90	103
GS-9	9	40	49	11	43	54	11	42	53
GS-8	12	1	13	12	1	13	12	1	13
GS-7	29	60	89	30	56	86	29	55	84
GS-6	38	68	106	36	68	104	35	67	102
GS-5	32	113	145	32	113	145	31	111	142
GS-4	23	72	95	22	76	98	22	75	97
GS-3	3	34	37	4	32	36	4	31	35
GS-2	2	1	3	3	1	4	3	1	4
Other Graded Positions........	--	4	4	--	7	7	--	7	7
Ungraded Positions	2	--	2	2	--	2	2	--	2
Total Permanent Positions........	360	701	1,061	367	699	1,066	361	687	1,048
Staff-Years									
Ceiling..........	380	745	1,125	389	717	1,106	382	708	1,090
Non-Ceiling......	--	1	1	1	1	2	1	1	2
TOTAL.........	380	746	1,126	390	718	1,108	383	709	1,092

STATISTICAL REPORTING SERVICE

CLASSIFICATION BY OBJECTS

1985 and Estimated 1986 and 1987

	1985	1986	1987
Personnel Compensation:			
Headquarters	11,369,942	11,250,000	11,146,000
Field	17,464,511	16,988,000	16,697,000
11 Total personnel compensation	28,834,453	28,238,000	27,843,000
12 Personnel benefits	4,264,595	4,022,000	3,965,000
13 Benefits for former personnel	52,642	13,000	13,000
Total Pers. Comp. & Benefits	33,151,690	32,273,000	31,821,000
Other Objects:			
21 Travel	1,043,026	1,199,000	1,259,000
22 Transportation of things	210,816	220,000	232,000
23.3 Communications, utilities, and misc. charges	3,379,777	3,927,000	4,117,000
24 Printing and reproduction	373,699	387,000	407,000
25 Other services	18,048,227	18,955,000	20,037,000
26 Supplies and materials	833,383	804,000	852,000
31 Equipment	1,039,986	894,000	987,000
43 Interest and dividends	1,343	--	--
Total other objects	24,930,257	26,386,000	27,891,000
Total direct obligations	58,081,947	58,659,000	59,712,000
Position Data:			
Average Salary, ES positions	$65,784	$66,758	$66,758
Average Salary, GS positions	$29,085	$29,326	$29,371
Average Grade, GS positions	9.0	9.0	9.0

STATISTICAL REPORTING SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

STATISTICAL REPORTING SERVICE:

> For necessary expenses of the Statistical Reporting Service in conducting statistical reporting and service work, including crop and livestock estimates, statistical coordination and improvements, and marketing surveys, as authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627) and other laws, [$59,079,000] $59,712,000: Provided, That no part of the funds herein appropriated shall be available for any expense incident to publishing estimates of apple production for other than the commercial crop: Provided further, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $40,000 shall be available for employment under 5 U.S.C. 3109.

STATISTICAL REPORTING SERVICE

Appropriations Act, 1986		$59,079,000
Budget Estimate, 1987		59,712,000
Increase in Appropriation		+633,000
Adjustments in 1986:		
Appropriations Act, 1986	$59,079 000	
Less Pro-rata Reduction, P.L. 99-190	-354,000	
Net Appropriations	58,725,000	
Transfer to Departmental Administration and Office of Governmental and Public Affairs for Reimbursable Activities a/	-66,000	
Adjusted base for 1986		58,659,000
Budget Estimate, 1987		59,712,000
Increase over adjusted 1986		+1,053,000

a/ A transfer of $35,000 to Departmental Administration and $31,000 to Office of Governmental and Public Affairs is to fund activities previously financed on a reimbursable basis as a direct appropriation in FY 1987.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1986 Estimated	Program Changes	1987 Estimated
Crop Data Improvement	$8,475,000	+$450,000	$8,925,000
Improved CRB Procedures	1,265,000	+150,000	1,415,000
Prices Paid for Building Materials and Marketing Containers	125,000	-50,000	75,000
All Other	48,794,000	+503,000	49,297,000
Total Available	58,659,000	+1,053,000	59,712,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

	1985 Actual		1986 Estimated			1987 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Increase or Decrease	Amount	Staff-Years
1. Crop and Livestock estimates	$51,847,594	977	$52,381,000	948	+$970,000(1)	$53,351,000	932
2. Statistical research and service	6,234,353	59	6,278,000	57	+83,000(2)	6,361,000	56
Unobligated balance	139,053	--	--	--	--	--	--
Total available or estimate	58,221,000	1,036	58,659,000	1,005	+1,053,000	59,712,000	983
Transfer to Departmental Administration and Office of Governmental and Public Affairs	+66,000	--	+66,000	--			
Total, appropriation	58,287,000	1,036	58,725,000	1,005			

EXPLANATION OF PROGRAM

The Statistical Reporting Service has two major activities authorized by the Agricultural Marketing Act of 1946, as follows:

- Crop and livestock estimates - Agricultural production and marketing data are collected, summarized, analyzed, and published for a wide range of items including: number of farms and land in farms; acreage, yield, and production for grains, hay, oilseeds, cotton, tobacco, fruits, vegetables, floriculture and specialty crops; stocks of grains; inventories and production of hogs, cattle, sheep and wool, goats, catfish, poultry, eggs, and dairy products; prices received by farmers for products, prices paid for commodities and services, and related indexes; cold storage supplies, and related areas of the agricultural economy. Estimates for about 120 crops and 45 livestock items are published in about 300 Federal reports each year. All information is made available to the public and news media at scheduled release times.

- Statistical research and service - Research is conducted to improve the statistical methods and techniques used in developing agricultural statistics. This research is directed toward better sampling, yield forecasting, and survey techniques. Research under the remote sensing program is continuing to improve the accuracy of domestic and foreign crop acreage and land cover estimates.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $970,000 for crop and livestock estimates consisting of:

(a) An increase of $420,000 for increased operating costs.

Need for Change. Absorption of these increased operating costs would severely affect the quality and coverage of the SRS programs. SRS would be required to reduce frequency and coverage of reports or eliminate reports to cover these costs.

Nature of Change. This package will cover the increased costs associated with inflation affecting critical parts of the base crop and livestock estimating program. Examples of cost increases are travel, postal rates, communication services, supplies, equipment, machine maintenance, staff transfers, and ADP related costs.

(b) An increase of $450,000 for Crop Data Improvement ($8,475,000 available in 1986).

Need for Change. The demand for greater accuracy in the SRS crop estimates is increasing as more reliance is being placed upon them by various data users in their decisionmaking. SRS is moving towards improved reliability of crop estimates by expanding the use of probability based survey procedures. This approach has been strongly recommended in recent years by several outside review teams examining SRS methodology.

Nature of Change. This initiative would continue the SRS effort to improve the crops estimating program through shifting to probability based surveys. This package would be the second phase of a 3-year program to place all major crop surveys on a probability basis. Included would be the acreage intentions, midyear acreage, monthly crop reports, and end-of-year crop acreage and production (A&P) surveys for major crops.

(c) An increase of $150,000 for Improved Crop Reporting Board (CRB) Procedures ($1,265,000 available in 1986).

Need for Change. Data users are becoming sophisticated with their own statistical techniques and will not accept less than the CRB using statistically defensible and repeatable procedures. The current strengths of the Board need to be built upon and any weaknesses discarded. Board members need the ability to evaluate all survey data more efficiently.

Nature of Change. This initiative would continue the SRS effort to improve the capabilities of the CRB to effectively evaluate all components of a survey and auxiliary information through establishment of an improved data base environment. In addition, a research and analysis effort will be undertaken to develop and implement composite estimators and time series analysis procedures that have been tested in research trials.

(d) A decrease of $50,000 for reduction of survey frequency on prices paid for building materials and marketing containers ($150,000 available in 1986).

Need for change. A reduction of $50,000 for prices paid surveys will not adversely affect the prices paid data series and will allow more adequate funding of higher priority SRS programs.

Nature of change. The decrease includes reducing the survey frequency of the prices paid for building materials to three times a year rather than six times a year and for the marketing container price survey, two times instead of four times a year.

(2) An increase of $83,000 for statistical research and service consisting of:

(a) An increase of $83,000 for increased operating costs.

Need for Change. Absorption of these increased operating costs would severely affect the quality and coverage of the SRS programs, and significant curtailment or elimination of key components of the agency's survey and remote sensing research work.

Nature of Change. This will cover the increased costs associated with inflation affecting critical parts of the base SRS research program. Examples of cost increases are travel, postal rates, telephone service, supplies, equipment, maintenance, research agreements, and ADP related costs.

STATISTICAL REPORTING SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1985 and Estimated 1986 and 1987

	1985		1986		1987	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama..........	$697,204	15	$704,000	15	$717,000	14
Alaska...........	92,048	2	93,000	2	95,000	2
Arizona..........	492,914	10	498,000	10	507,000	10
Arkansas.........	957,864	18	968,000	17	985,000	17
California.......	2,784,370	36	2,680,000	36	2,728,000	35
Colorado.........	870,658	17	880,000	17	896,000	17
District of Columbia........	20,754,616	357	22,050,000	356	22,446,000	350
Florida..........	1,027,155	21	1,005,000	20	1,023,000	19
Georgia..........	812,390	18	820,000	17	835,000	16
Hawaii...........	342,404	9	345,000	8	351,000	8
Idaho............	716,181	15	739,000	15	752,000	15
Illinois.........	1,204,470	18	1,216,000	18	1,238,000	18
Indiana..........	882,166	16	891,000	16	907,000	15
Iowa.............	1,154,312	20	1,160,000	19	1,181,000	19
Kansas...........	1,098,647	21	1,105,000	19	1,125,000	18
Kentucky.........	787,989	15	796,000	15	810,000	15
Louisiana........	922,234	13	931,000	13	948,000	13
Maryland.........	442,392	11	446,000	11	454,000	11
Michigan.........	921,320	17	930,000	15	947,000	15
Minnesota........	1,159,154	20	1,171,000	19	1,192,000	18
Mississippi......	991,179	15	987,000	15	1,005,000	15
Missouri.........	1,306,683	22	1,079,000	19	1,098,000	18
Montana..........	572,234	11	578,000	11	588,000	11
Nebraska.........	1,181,544	22	1,185,000	19	1,206,000	19
Nevada...........	153,894	3	156,000	3	159,000	3
New Hampshire....	958,327	13	869,000	14	885,000	14
New Jersey.......	355,043	9	359,000	9	365,000	9
New Mexico.......	406,310	9	410,000	9	417,000	9
New York.........	1,051,120	17	1,026,000	16	1,044,000	15
North Carolina...	1,009,946	17	1,020,000	16	1,038,000	16
North Dakota.....	698,441	15	705,000	14	718,000	14
Ohio.............	895,438	18	904,000	16	920,000	15
Oklahoma.........	777,619	16	796,000	14	810,000	14
Oregon...........	652,493	14	663,000	14	675,000	14
Pennsylvania.....	733,969	16	741,000	16	754,000	16
South Carolina...	601,927	14	608,000	14	619,000	14
South Dakota.....	1,112,694	16	821,000	15	836,000	15
Tennessee........	753,365	14	761,000	14	775,000	14
Texas............	2,267,948	31	2,049,000	26	2,086,000	25
Utah.............	385,342	9	389,000	9	396,000	9
Virginia.........	618,207	14	624,000	13	635,000	13
Washington.......	825,488	16	833,000	16	848,000	16
West Virginia....	338,770	8	342,000	8	348,000	8
Wisconsin........	920,262	19	929,000	18	946,000	18
Wyoming..........	393,216	9	397,000	9	404,000	9
Total, Available or Estimate	58,081,947	1,036	58,659,000	1,005	59,712,000	988

PASSENGER MOTOR VEHICLES

The 1987 Budget Estimates proposes the purchase of 1 additional motor vehicle and the replacement of 3 passenger motor vehicles.

The passenger motor vehicles of the Statistical Reporting Service are used (where common carrier or GSA vehicles are not feasible) for necessary field travel in carrying out the mission of the agency. All passenger motor vehicles are located at various field offices.

Additional passenger motor vehicle. The one additional passenger motor vehicle is for the SRS field offices. GSA has gradually closed many of its motor pool facilities making it more difficult for SRS personnel to obtain cars when needed. The use of common carrier is not feasible in carrying out the program of SRS.

Replacement of passenger motor vehicles. Replacement of 3 of the 14 vehicles now in operation is proposed. These 14 vehicles are located in 13 field locations and are necessary to meet the transportation requirements inherent in carrying out the agency's program. The vehicles proposed to be replaced will have passed the minimum replacement standards of 6 years of age or 60,000 miles prescribed by the General Services Administration.

Age and mileage data for motor vehicles on hand as of September 30, 1985, are as follows:

Age Data			Mileage Data		
Age-Year Model	Number of Vehicles	Percent of Total	Lifetime Mileage (thousands)	Number of Vehicles	Percent of Total
1979	1	7	60-80	2	14
1981	4	29	40-60	4	29
1982	1	7	20-40	3	21
1983	3	21	Under 20	5	36
1984	1	7	Total	14	100
1985	4	29			
	14	100			

STATISTICAL REPORTING SERVICE

STATUS OF PROGRAM

The Statistical Reporting Service (SRS) administers the United States Department of Agriculture's program of collecting and publishing current national and State agricultural statistics. Statistical data provided by the Service on the Nation's agriculture are essential in making orderly production and marketing decisions.

SRS programs are organized in the following major areas: (1) crop and livestock estimates, (2) statistical research and service, and (3) work performed for others.

CROP AND LIVESTOCK ESTIMATES

Current Activities: Agriculture production and marketing data are collected, summarized, analyzed, and published for a wide range of items including: number of farms and land in farms, acreage, yield, production and stocks of grains, hay, oilseeds, cotton, tobacco, fruits, vegetables, floriculture, and specialty crops; inventories and production of hogs, cattle, sheep and wool, goats, catfish, poultry, eggs, and dairy products; prices received by farmers for products, prices paid for commodities and services, and related indexes; cold storage supplies, and related areas of the agricultural economy.

Estimates for about 120 crops and 45 livestock items are published in about 300 reports each year through SRS's Crop Reporting Board (CRB). All information is made available to the public and news media at scheduled release times. A user fee system to cover the costs of mailing list maintenance, printing, and mailing the releases is working successfully. Survey respondents, news media, congressional offices, and other Federal agencies are not required to pay for CRB releases.

The crop and livestock estimating program is conducted through 44 State Statistical Offices (SSO's) servicing all 50 States. The majority of these SSO's are operated as joint State-Federal services. The cooperative funding arrangements with State agencies provide additional State and county data to complement information produced with Federal resources.

Thousands of farmers, ranchers, agribusinesses, and others voluntarily respond to surveys about crop, livestock, and other agricultural activities. These surveys are supplemented by field observations, objective yield counts and measurements, and other data to provide reliable information.

Program Goals: The principal program goals are to (1) provide data and services needed for commercially important segments of the agriculture industry, (2) increase the accuracy, dependability, and public usefulness of national and State data, (3) conduct program reviews to assure that statistical information is collected and published in an efficient manner and satisfying user needs, (4) minimize the time between data collection and release, and improve information distribution, and (5) reduce survey response burden on individuals or firms.

Selected Examples of Recent Progress:

A. Increasing Data Accuracy and Dependability

1. June and December Enumerative Surveys. June and December Enumerative Surveys are conducted in the 48 contiguous States. The June survey obtained information on planted and harvested acres of crops, land use, livestock, farm grain stocks, and farm numbers. The area sample consisted of nearly 16,000 land segments containing over 55,000 agricultural tracts and was supplemented with list samples of nearly 4,500 large cattle operators and more than 4,000 large hog operators.

The December survey obtained information on livestock and poultry, and on fall seedings of wheat and rye and on-farm grain stocks. The sample consisted of almost 31,000 area tracts selected from the June Enumerative Survey and was supplemented by a list sample of more than 20,000 large livestock and poultry operators.

These were the largest probability surveys conducted and provided basic data for the Crop Reporting Board's reports on acres planted, acres for harvest, cattle and hog inventories, and calf and pig crops. They also supplied information requested by other agencies such as data on types of farms and grazing fees. Research efforts to improve estimates of farm numbers, livestock inventories, and on-farm grain stocks were coordinated with these surveys.

2. Objective Yield Surveys. Wheat, corn, cotton, and soybean objective yield surveys were conducted in the major producing States for forecasting yields during the growing season and for estimating yields at harvest. There were 2,650 wheat samples in 18 States, 1,345 cotton samples in six States, 1,920 corn samples in 10 States, and 1,920 soybean samples in 15 States. Detailed counts and observations were made monthly in the sample fields during the growing season. Small areas within each sample field were harvested at crop maturity. Harvest loss measurements were obtained after harvest.

   A Potato Objective Yield Survey utilizing 2,100 samples was conducted in 11 major fall crop States to estimate yield at harvest.

   The Tart Cherry Objective Yield Survey in Michigan used a sample of 270 blocks for the mid-June production forecast. Forecasts were updated with a preharvest survey and harvest losses determined after harvest.

   Work with the three crops (Sorghum, Rice, and Sunflower), added to the operational objective yield program in 1984, continued in 1985. There were 1,000 sorghum samples in five States, 835 rice samples in five States and 200 sunflower samples in three States.

   Objective yield surveys were conducted for burley tobacco in Kentucky to supplement indications obtained from mail surveys. Plant counts were made in 120 fields and the average weight of cured leaves per plant in 60 samples was obtained at time of stripping. Leaf count and measurement work also were conducted in a subset of 60 fields to forecast the crop size.

3. Yield Validation Studies. Validation studies were completed in 1984 for wheat yields in Kansas and Nebraska and for soybean yields in Indiana and Mississippi. These studies evaluated procedures used to estimate acreage harvested and possible sources of bias between objective yield estimates, farmer reported yields and actual harvested weight.

   The wheat study indicated that the Objective Yield Survey overstates "actual" yield and points to a need to study the components of the yield estimate. The soybean study indicated no bias between the Objective Yield estimates and the weighed yield. The soybean survey is being repeated in Indiana and Mississippi in 1985 to validate yields in a different growing season.

4. Multiple Frame Livestock and Poultry Surveys. Multiple frame surveys were conducted in all States--December 1 and June 1 for hogs and January 1 for cattle. In addition, 10 States conducted surveys to provide hog and pig inventory estimates for March 1 and September 1. Multiple frame sheep surveys were conducted January 1 in the 41 estimating States.

   Continued development of the List Sample Frame further improved efficiency of the surveys. Replicated sampling procedures, to select samples from the list frame, were continued. This sampling method is used to reduce respondent burden and to enhance data analysis.

   The multiple frame survey procedures were used to estimate chicken and layer inventories in all States for December 1. These procedures were also used to estimate monthly and quarterly layer inventories and egg production in Virginia, Alabama, and Arkansas.

5. Integrated Survey Program. The Integrated Survey Program (ISP) is an extension of multiple frame survey developmental work.

   Integration of the Agency's major multiple frame and mail surveys involves combining several single purpose surveys into one survey program utilizing a general purpose sample of farm operations and subsequent subsamples to complete an annual survey cycle. The pilot survey program which began in June 1984 was fully implemented on a monthly basis in Arizona, Illinois, and Tennessee. All survey indications from the previously individual surveys of Monthly Crop Report, On-Farm Grain Stocks, Planted Acreage, Crop Production, Cattle Inventory, Hog Inventory, and Sheep Inventory were generated from the ISP. Parallel test surveys were conducted in nine additional hog producing States during June and September 1985. The test compared results from the regular hog survey and the ISP on a regional basis and gathered knowledge about multivariate sampling requirements for further program expansion.

   The use of an integrated sample design instead of several independent surveys provides more control over the number of times individual farmers are asked to report. This survey procedure should also improve the data on changes occurring in the structure of agriculture.

6. Probability Surveys of On-farm Grain Stocks. Probability Surveys of on-farm grain stocks were conducted in the 23 major producing States on October 1, January 1, April 1 and June 1 along with a September 1 probability survey of on-farm soybean stocks. The surveys paralleled non-probability surveys (previous survey method) in order to define any reporting differences prior to elimination of the non-probability surveys.

   The List Sample Frame's coverage of farms producing and storing grain was improved. The probability surveys incorporate the latest "state-of-the-art" multi-frame sampling procedures and will improve the accuracy of on-farm grain stocks estimates. The grain stocks surveys should be further enhanced when they are incorporated into the ISP.

7. Farm Costs and Returns Survey. A fully integrated multiple frame survey called Farm Costs and Returns was implemented in 1985. This survey provided economic statistics for the farm sector. The three major components of the survey provided estimates of the 1984 farm production expenditures, micro-economic statistics on the cost of production for crops and livestock, and farm financial and credit conditions. General economic data were collected from all respondents. More than half of the respondents provided detailed data used to estimate 1984 production expenditures.

The remaining portion of the sample provided aggregated micro-economic statistics and detailed commodity specific data on the costs of producing forage, sugar beets, rice, and burley tobacco. The expenditure data were published in Farm Production Expenditures for 1984 issued in July. Data were published for the U.S., 10 farm production regions and by economic class of farm. The cost of production estimates were published by ERS in late 1985.

B. Reviewing Commodity Programs

1. Data Analysis and Review. The efforts undertaken in 1984 to develop improved data analysis procedures were continued. Improvements in analysis systems for operational surveys were made. These systems rely upon statistical procedures to provide a descriptive analysis of survey data, and to identify abnormal respondent reports and their impact on survey result. This information is helpful in evaluating current data and improving sample design for subsequent surveys.

   Increasing emphasis on data analysis focused on quality improvements of survey data and subsequent estimates. The increasing complexity of today's agriculture has introduced more variability into sample data.

   Two data analysis workshops were conducted for commodity analysts. These workshops were designed to improve commodity statisticians' ability to analyze data and use of the new computer systems.

2. Dairy Cow Slaughter Program. Weekly statistics, by region, of dairy cows slaughtered in Federally inspected plants were initiated in January 1984 as part of the Dairy Diversion Program. These statistics have been continued and are now a permanent part of the livestock slaughter statistics program. About 1,500 forms are processed and tabulated weekly.

3. Review of Historic Crop and Livestock Estimates Review. Primary data series for crops, livestock, dairy, and poultry were reviewed during 1985 and re-published in statistical bulletins of final estimates for 1979-83. The Agency regularly reviews historic estimates following release of Census of Agriculture data. The bulletins included: Hogs and Pigs; Sheep, Goats, and Wool; Cattle; Chickens and Eggs; Milk; Meat Animals; Poultry, and Noncitrus Fruit and Nuts and Vegetables.

4. Turkey Breeder Hens. Inventory estimates of turkey breeder hens were discontinued in response to an industry request and following an evaluation of comments from other data users. This data series included a September release of intentions to hold breeder hens on December 1 and a January release of the actual inventory and value.

5. Farm Labor Program. Farm Labor surveys were conducted in April, July, and October in the 48 contiguous States and Hawaii in 1985. A January survey was conducted in the seasonal labor intensive States of California, Florida, and Hawaii and the regions of Texas-Oklahoma and Arizona-New Mexico. Data were published for 18 regional areas that can be aggregated to the 10 farm production regions. The number of workers on farms, hours worked, and average wage rates were published.

6. Special Prices Bulletins. Five Statistical Price Bulletins were issued during the year. Statistical Bulletins 717 and 726 are historic price series of Prices Received by Farmers for Milk and Feed Grains - Wheat, Rice, and Rye. The milk price series covers the period of 1935 through

1978 and feed grain prices are for 1949 through 1978. Statistical Bulletins 727, 729, and 735 cover the period 1978 through 1982 for Prices Received by Farmers for Livestock, Dairy and Poultry; Crop Values; and Prices Received by Farmers for Field Crops. All bulletins contain data by State and for the United States.

7. Reinstatement of Estimates. Funding to reinstate the estimates for peanut stocks, floriculture, asparagus, cucumbers for pickles, and pickle stocks was included in the FY 1985 Agriculture Appropriation Bill. The first reports for all of these reinstated estimates have been or will be released during calendar year 1985.

8. Expansion of Rice Program. The rice program was expanded to include rice production by classes during the growing season. The first report for rice class forecasts was released with the August, 1985, Crop Production report.

9. Outside Review Panel. Programs and procedures of the Agency were reviewed by a 14-member panel of outside experts appointed by Secretary Block to review the economic and statistics programs of the USDA. This review supported present efforts to move towards an integrated survey approach for major crop and livestock estimates.

10. Estimation Standards. A more intensive review of Agency estimation policy and procedures was conducted by an internal Working Group. This report, entitled Crop Reporting Board Standards, identified additional steps to take in creating standardized indications for all States and in completing the Agency's present efforts to implement probability survey procedures for all major crop reports. Additional standards were identified for analysis and review procedures which will be implemented over the next two years.

C. Data Handling and User Services

1. SRS Crop Reporting Board Electronic Report System. Most CRB crop and livestock reports have been disseminated via an SRS' computer network to the public and all SRS SSO's except Alaska for several years. Virtually all reports, in their entirety, were available through this system.

   In August 1985, SRS began releasing these reports on a Departmentally contracted system called Electronic Dissemination of Information (EDI). This system allows USDA agencies to place their current information reports in a single commercial repository that in turn makes the data available on subscription basis to a broader base of data users. All of these electronic reports are provided within minutes after release in Washington, D.C. Formats for CRB publications were modified to provide more efficient formats for electronic dissemination of information, a part of the overall plan to improve data access through electronic means.

   All historical data series which are needed for data bases maintained by research organizations and other analytical firms are available on computer tapes.

2. Crop Reporting Board Tape File System. This system was kept updated and a new file on historical grain stocks was added to satisfy data user demands for long-term statistical series on computer data files. The CRB tape system offers substantial information for a period of years, with details at the national, State, and sub-State level, to data users wanting summarized data in computer media. A bulletin describing the CRB tape file system is available.

3. Data Management System. Development of a data management system entitled Statistical Information Management System (SIMS) began in March 1985. This is the keystone to the Long-Range IRM Plan that was approved by management in November 1984. ADABAS has been selected as the data base management system. Testing of its capabilities is now underway. A logical design for SIMS is being created. Physical design will begin once the first logical design module is completed. All functional areas of the Agency will be covered in the scope of this project. Development is expected to continue through 1990.

4. Teleprocessing Services. The data processing of satellite data is being moved from Bolt, Beranek, and Newman (BBN) to Martin Marietta Data Systems (MMDS) prior to the expiration of the BBN contract on June 30, 1986. MMDS is currently in the second year of a 5-year teleprocessing contract with SRS. This contract is renewable yearly at the request of SRS during its life.

STATISTICAL RESEARCH AND SERVICE

Current Activities: Research is conducted to improve the statistical methods and techniques used to produce agricultural statistics. This research supports the SRS long-range objective for improving the accuracy of crop and livestock estimates at minimum cost. It is directed toward better sampling, yield forecasting and survey techniques.

A. Improving Operational Programs

1. Objective Yield Research and Analysis. Emphasis has been in quality assessment and improvements in the statistical methodology. Data quality and sampling procedure work included: cooperative studies with North Dakota State University to identify potential problems with sunflower objective yield methods; measurement of potential plot location biases; a study of lab processing errors; alternative maturity code determinations in corn; and evaluations of enumerator fatigue and plant handling effects. Recent operational improvements suggested by research included: verification data on lab forms, test use of a buffer zone in the wheat survey, and more careful editing of row space measurements.

Statistical methodology studies produced recommendations for: improved variance estimators for the yield forecasts and estimates; simplified soybean estimator; improved sunflower forecast models, modified maturity categories for soybean models, and data modeling and hypothesis testing procedures for complex objective yield survey designs. Recent changes in operational programs based on methodology studies include: using 5 years data rather than 3 to model corn yields and using fixed rather than stepwise modeling methods for soybeans.

An evaluation of the corn objective yield validation surveys conducted from 1953 to 1983 was completed. These surveys were conducted to determine if operating program procedures in the objective measurement of yield represent yield harvested by the producer. The report presents a summary of each of the historic studies and relates the implication of the studies taken as a group to the current operational program. The report shows consistent patterns of differences between objective yield data, harvested field values, and Crop Reporting Board estimates. It was suggested that these differences be resolved through annual nonsampling error surveys and a thorough evaluation and justification of the yield indications, other than objective yield, which influence CRB estimates.

2. Plant Growth Simulation Modeling. Research continues on plant growth process simulation models for supplementing the yield forecasting system. Growth simulation models are structured functional relationships representing growth of the plant. Initial evaluation and validation efforts for corn and wheat models are not promising. Model development for these crops has been de-emphasized until more basic plant research is completed by university investigators. Model development research is underway for soybeans, cotton and grain sorghum models in cooperative agreements with university scientists. Results for soybeans and cotton are more promising. Data were collected at five dispersed soybean production locations for model validation. Continued efforts to validate the cotton model with existing data sets are underway. Effective techniques have been developed to utilize survey measurements to true-up model response. Research papers covering the process model analysis and revised forecasting techniques are being finalized.

3. Computer Assisted Telephone Interviewing (CATI) Research. The California SSO used CATI successfully to collect data for several major surveys in FY 1985. The surveys were: Cattle Multiple Frame, June Acreage, Rice Stocks, Processing Tomatoes, Fall Acreage and Production, and Cattle on Feed. The Nebraska SSO used CATI operationally for quarterly Hog Multiple Frame and monthly Milk Production surveys. New applications of CATI included updating files for the List Sampling Frame. A new training module for CATI instruction was developed. Other activities included testing of an instrument to automatically schedule telephone calls, preparing user documentation and training manuals and developing instruments for the Farm Labor Survey and Integrated Survey Program. The CATI software is being adapted to new hardware for use in eight additional SSO's.

4. Area Frame Sampling Research. Two projects are underway to evaluate the size of the land area segments used during data collection. One study will develop procedures for determining the most efficient size for a segment in terms of cost and precision of the agricultural estimates. The other is a simulation study to establish tolerances to place on segment size when subdividing randomly selected frame units in the sample selection process.

5. Area Frame Development and Maintenance. New area frames were completed for New Mexico and Wyoming. Replicated samples of land area segments were selected from these frames for the 1985 June Enumerative Survey. Photo enlargements from the new National High Altitude Photography film were used in the 1985 June Enumerative Survey. Development of new area frames for Montana, Maryland, and Delaware was undertaken.

6. Area Frame Construction Research. Research, to compare operational stratification procedures with computer classification of digital Landsat data, was carried out in three Florida counties and four Wyoming counties. A similar study is underway in New York to evaluate an automated work station approach using Landsat images. These studies will investigate the use of Landsat data and automated techniques for area frame construction.

7. Small Area Estimation Research. Research was continued on a model-based procedure using historical and current data to make district and county estimates. Analysis was expanded from a list estimate to include an adjustment for nonoverlap (measure of list incompleteness) for the North Carolina acreage estimates. Three years of data have now been evaluated. Procedures are being developed to account for data incompleteness. Research is underway in a second State using different commodities.

8. Integrated Survey Project (ISP) Research. Several areas of research were underway to evaluate data collection procedures. Comparisons of the tract, farm and weighted direct expansion estimators were evaluated. Nonsampling errors associated with each estimator were evaluated and survey cost data were summarized. Research included development of a revised multivariate stratification design for determining strata and sample allocations. The evaluation of sample rotation and potential biases is continuing. Imputation procedures and methods for handling previously reported data are also under study. Further investigations on procedures to handle outliers or atypical reporting units are underway.

9. Research to Develop Methodology for Using Satellite Data. In 1985, Landsat multispectral scanner readings were used with SRS ground-gathered data to calculate improved crop area estimates at the state and county level in Arkansas, California, Colorado, Illinois, Indiana, Iowa, Kansas, Missouri, and Oklahoma. Data were obtained from both Landsat 4 and 5 which gave better coverage in the major agricultural areas. Data from two or three satellite overpasses were combined to provide increased precision in several states. This was in contrast to the use of a single satellite overpass in previous years.

   Estimates for planted and harvested acreage of winter wheat were obtained in Colorado, Kansas, Missouri, and Oklahoma. Planted acreage estimates will be obtained for wheat, cotton, corn and rice in California; rice, corn and soybeans in Missouri; rice, cotton and soybeans in Arkansas; and corn and soybeans in Illinois, Indiana and Iowa. A cooperative project between the Statistical Reporting Service, Soil Conservation Service and Forest Service to obtain estimates of major land covers (including forests and nonagricultural uses) was completed in Arkansas.

   In 1985, research continued on use of satellite data to improve area estimates for specialty crops. Much of this work was done in cooperation with other organizations. Projects were carried out in Idaho for potatoes, New York for orchards, vineyard, and vegetable crops, and California for specialty crops. A special orchards and vineyards area sampling frame is being constructed in New York as a result of this research.

   Significant improvements in the methodology have been made during the past decade which have led to improved estimates and cost reductions. Improved software has reduced computer costs and allowed for more efficient use of personnel assigned to the project. In 1978, the project included one State at an estimated cost of $300,000. In 1984, the project included eight States at an estimated average cost of $140,000 per State. Most of this cost reduction can be contributed to the improvements in the software, extended use of a Cray supercomputer, and more efficient use of personnel. For the 1985 California project much of the analysis will be conducted using a local onsite microcomputer. This technology promises even further reductions in processing costs.

   Research on statistical methodology, use of data from the Thematic Mapper sensor, data processing (including both hardware and software), automation, and other techniques to increase efficiencies continued in 1985. Major developments included improved batch data processing capabilities, conversion of many analysis steps from clerical coding to computer routines and improved county estimate software.

10. Agricultural Resources Inventory Surveys Through Aerospace Remote Sensing (AgRISTARS) research. During 1985 work units located in Columbia, Missouri and NASA/JSC in Houston, Texas were closed and transferred to Washington, D.C. This represents a "phase out" of projects and agreements that were begun under the USDA AgRISTARS program which is concluded.

    During the year, SRS continued to assist ARS and FAS in developing and evaluating procedures to monitor crop growing conditions on a world-wide basis. The primary user of this research in USDA is the FAS. Several investigations including those associated with vegetative indices and characteristics of polar orbiting meteorological satellite data were completed. Some analysis was done on a data set which includes spectral data from the NOAA 7 and NOAA 8 polar orbiting satellites collected daily at one kilometer resolution. Of particular interest were the thermal bands of the NOAA 7 satellite. Prior ground level basic research indicates there is a strong relationship between the temperature of a growing crop and its general health and vigor.

    Research was conducted on the development of improved methods of forecasting and estimating crop yields for domestic and foreign applications. Models based on relationships between crop yields and environmental factors such as weather, implicit calibrations for technological change, soils, incidence of disease and pests, cropping practices employed and other technology factors were studied. Wheat models previously developed and tested were used in an operating time frame in Kansas, Nebraska and Oklahoma.

    Four weather-crop models for main grain producing regions for the U.S.S.R. were developed and evaluated. Documentation was provided to the World Agricultural Outlook Board for evaluating foreign crop production potential. Initial tests were positive and the basis for follow up work was established.

B. Statistical Consulting and Services

Advice on survey procedures and sampling to conduct specific studies or initiate programs are provided to USDA agencies upon request. The following are examples of FY 1985 Statistical Research Division consulting services.

1. Sample Design and Frame Construction. Expertise in sampling and area frame construction within the Agency has been available upon request from many countries in Europe, Asia, Africa, Central America and South America. Short tours of duty (usually 2-3 weeks) by SRS staff have worked very effectively to provide assistance to the respective countries.

2. ADP Assistance. Data processing technical assistance has also been provided to USDA agencies and limited technical assistance outside USDA concerning an operating system known as UNIX.

3. Consulting Work for Office of General Counsel. At the request of USDA's Office of General Counsel, an SRS statistician reviewed the Food and Nutrition Service's (FNS) quality control program for the distribution of food stamps by State governments. The FNS quality control program is based on a probability sample of food stamp cases selected each year in every State. The cases selected in the quality control sample are examined by a State reviewer for allotment errors. A subsample of these cases are then reexamined by a Federal reviewer. From the State and Federal reviews, an estimated allotment error rate is calculated for each State. If a State's estimated error rate is unacceptably high, the State incurs an FNS sanction in the form of a liability to pay to USDA the

dollar equivalent value of misallocated food stamps. One of the States sanctioned under the quality control program sued FNS claiming the quality control procedure contained various statistical shortcomings. The consulting SRS statistician assisted the Office of General Counsel in defending USDA against this suit.

4. Other Consulting Activities. Other consulting activities included an evaluation of the survey design used in a politically sensitive acid rain study, and assistance developing a sample procedure to evaluate pesticides in grain. Staff members also participated in Subcommittees of the Federal Committee on Statistical Methodology.

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